# ABSTRACT

Filbert Nathaniel (36150402) / 2019 / *The Effect of Leverage, Earnings Persistence, Size, and Growth on Earnings Response Coefficient with Free Cash Flow as a Moderating on Size and Growth at LQ45 Companies Listed in Indonesia Stock Exchange in the Period of 2015-2017* / Rizka Indri Arfianti S.E.,Ak.,M.M.,M.Ak.

*Financial statements are the information used by investors and stakeholders for consideration of decision making. One of important information is earnings. Quality earnings information can be relied on by investors and stakeholders to predict the company's performance in the future. Earnings response coefficient (ERC) is a variable that measures the level of market reaction to the publication of earnings. Increasingly high market reaction means the earnings are qualified. But many other information that affects* ERC*, that the increase in earnings is not always followed by an increase in the level of market reaction. This research is to examine the influence of leverage, earnings persistence, size, and growth on earnings response coefficient with free cash flow as a Moderating Size and Growth.*

*The quality of earnings can be defined as a power of earnings’ information which can affect the market’s response. The level of market reactions which reflected by the level of earnings response coefficient, it means the earnings which reported are qualified. The theories are used as the basis in this research are agency theory which discusses about the conflict between agent and principal’s interest, the signaling theory which examines there are a good news and a bad news which can affect individual or group (Investor) decision, and the last is efficiency market theory, which discusses a security market is efficient if securities prices “fully reflect” of the information available.*

*The analyze method was conducted in this research for developing data, model examining and data maintaining by using a program WarpPLS* 6.0. *The research is based on purposive sampling with the judgment sampling method. The amount of the samples are 31 LQ45 companies which are listed in Indonesia Stock Exchange during the period 2015-2017.*

*The results of this research showed the model are pass or qualified through the overall fittest. The result of signification test and hypothesis showed leverage’s coefficient is 0,203 with sig. is 0,0555, earnings persistence’s coefficient is 0,380 with sig. are 0,004, size’s coefficient is 0,105 with sig. is 0,272, growth’s value is -0,385 with sig. is 0,007 on earnings response coefficient. Furthermore, free cash flow as a moderating between size and earnings response coefficient has coefficient are 0,297 with sig. are 0,033, and for the last free cash flow as a moderating variable between growth and earnings response coefficient has coefficient is 0,045 with sig. are 0,400.*

*The conclusion of this research showed that the leverage, size, and growth hasn’t affected the earnings response coefficient, and free cash flow is not able to strengthen influence growth on earnings response coefficient.* *However*, *earnings persistence has affected positively on earnings response coefficient and free cash flow is able to strengthen influence size on earnings response coefficient.*