

## **CHAPTER V**

### **CONCLUSIONS, IMPLICATIONS, AND LIMITATIONS**

#### **A. Conclusion**

Based on the result of research and discussion, this study concludes that:

1. Financial leverage has positive and significant effect on audit fee. It means that the higher the leverage the higher the audit fee.
2. Earning management does not significantly affect audit fee. It means that levels of earnings management has no effect on audit fee.
3. Private company has positive and significant effect on audit fee. It means that private companies pay higher audit fee compared to the state-owned company

#### **B. Implications**

This research has several implications, as follows:

1. For auditors, the results of this study can be used as an input or reference in determining the amount of audit fees to be charged to companies experiencing financial distress, so companies with high level of financial leverage, can be charged high audit fee, as it requires a more prudence and longer time in the audit process.
2. For academics, this study is expected to be a comprehensive reference for further studies, especially studies related to the determination of the audit fee in companies experiencing financial distress, because this study combines variables that used in earlier studies.

### **C. Limitations**

The limitation in this research are as follows:

1. It is hard to find companies that disclose their audit fee in annual report, because audit fee disclosure is still voluntary. So the total sample that obtained is relatively small. Further research are expected to expand the number of samples by increasing the number of research years.
2. The result of coefficient of determination calculation showed only 15.2% the ability of independent variables in this study affect audit fee. While 84.8% is explained by other variables. Future research are expected to add other variables that may affect the determinants of audit fee that not tested in this study.
3. For variable earnings management, the result of descriptive statistics showed that standard deviation is higher than mean value, which means that there is high variance in the data and the result of multiple regression analysis showed that the variable is not significantly affect audit fee. One of the possible reason is because researcher do not transform the data, since the data consist of negative value. Further research expected to transform data that consist of negative value with inverse transformation in spss.

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