ABSTRACT

Company's funding decisions in term of supporting business growth is about the choice of determining the composition of the debt and equity. According to JHvH De Wet (2006), the expected capital structure is a combination of debt and equity that reaches a certain balance between the tax advantages of the debt and costs due to the use of debt. IT Industry analyst predict market growth in Indonesia will still continue to grow at over 70% in the next few years and PT XYZ as ICT (Information, Communication and Technology) company optimistic will achieve 30% of revenue growth with dominantly sustained by manage services product through increasing the number of customers and the increased capacity of the service.

Associated with business growth, this thesis perspective is to determine capital structure that will support the company's strategic plan to grow in the ICT industry by 2015-2017 through the optimal capital structure approach which is based on the highest value of the firm considers financial distress cost and agency cost as well as cost of capital lowest approach.

Obtained capital structure that has the highest corporate values and the lowest cost of capital considering the financial distress cost and agency cost as a risk over the increased use of debt which is on the composition of 30% debt and 70% equity according to value of the firm approach and the composition of 45% debt and 55% equity based on the cost of capital lowest approach.

Keywords: *Capital structure, Value of the firm, Cost of capital, Financial distress cost, Agency cost.*