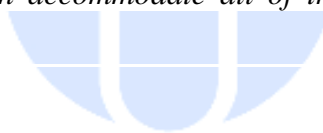


ABSTRACT

Debt financing is the only reliable source of government deficit financing in recent years. Debt Financing is containing the cost to be paid, including cost of issuance government securities. Based on historical data, there are significant difference between planning and realization of cost of debt, usually the planning is higher than realization. The differences came from the issuance cost that consists of interest expense and discount of government securities.

One of the differences is caused by the difference between yield projections and real yield at the issuance. This difference can be reduced by using the right method to determine the yields. Many methods of determining the yields of government securities, one of them are bootstrapping and Value At Risk. To the authors try to test the accuracy of both methods to determine the cost of issuance of government securities 2007-2009.

From the results of cost of issuance using both methods are less accurate for determining the cost of issuance. This can be seen from the difference inconsistent difference between the real cost of issuance and the result of both methods. Imprecision of both methods are caused by a deficiency of these methods, which can not capture all the factors that influence the movement of yields. For determine the accurate cost of issuance we need a more appropriate method to be used that can accommodate all of the factors that influence the movement of yields.



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