ABSTRACT

This study aims to examine the information content of earning and loss components. Research carried out by testing the influence of PEPSt, LEPSt, PORDt, LORDt, POPt, LOPt, PFINt, LFINt, PEXTt, LEXTt, TAXt toward earnings response coefficients (ERC).

This study is performed by employing earnings-book value capitalization models devided into three research models. Sampling method used is purposive sampling with criteria as follows: (1) Manufacturing companies listed at Indonesia Stock Exchange (IDX) during 2007-2009 and published financial statements at December 31 completely, (2) Manufacturing companies whose shares are listed and actively traded on the Indonesia Stock Exchange (IDX) during the years 2007-2009, (3) Has a record of the stock price at the time of closing, also earnings per share (EPS), (4) Manufacturing companies that report their financial statements in rupiah, (5) Manufacturing companies that have positive beginning of fiscal year book value of equit. Based on these criteria, obtained 308 companies over a three year period of observation. Then, there are 91 samples that included outlier should be excluded from samples of observation. So, a decent amount of the final sample are 217 firms years. Data analysis with multilinier regression of ordinary least square and hypotheses test used partial t – test and adjusted R square.

Empirical evidence show that, partially, PEPSt, PORDt, LORDt, POPt, LOPt, LFINt, PEXTt, LEXTt, TAXt have significant influence toward ERC, while PFINt and LEPSt have no significant influence toward ERC. Explanatory power of the research models increase, but the explanatory power of third model decreases. These is indicated by adjusted R^2 of the models are 0.180 (Model 1), 0.198 (Model 2), 0.168 (Model 3).

Key words: Stock exchange, Information content of earning and loss components, earnings response coefficients (ERC)

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