EARNINGS MANAGEMENT AND THE VALUE RELEVANCE OF EARNINGS

Undergraduate Thesis

Presented as Partial Fulfillment of the Requirement for the Degree of Sarjana Ekonomi (S1) in Accounting Program Faculty of Economics

Universitas Atma Jaya Yogyakarta

Written By:

Ivana Prayitna

NPM: 111519212

FACULTY OF ECONOMICS

UNIVERSITAS ATMA JAYA YOGYAKARTA

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Faculty of Economics

Universitas Atma Jaya Yogyakarta

I hereby recommended that the thesis prepared under my supervision by

Ivana Prayitna

Student ID number 111519212

Thesis Entitled

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Advisor,

Jenjang Sri Lestari, SE., M.Comm, Akt.

March 13, 2015

This is to certify that the thesis entitled

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Presented by:

Ivana Prayitna

Student ID number 111519212

Has been defended and accepted on April 10, 2015 towards fulfillment of the requirements for the Degree of Sarjana Ekonomi (S1)

International Financial Accounting Program

Faculty of Economics Universitas Atma Jaya Yogyakarta

Examination Committee

Chairman,

Dra. Dewi Ratnaningsih, MBA., Akt.

Members,

A. Totok Budisantosa, SE., MBA., Akt.

Jenjang Sri Lestari, SE., M.Com., CA., Akt.

Yogyakarta, April 10, 2015

Dean of Faculty of Economics

Universitas Atma Jaya Yogyakarta

Drs. Budi Suprapto, MBA., Ph.D

AUTHENTICITY ACKNOWLEDGEMENT

I hereby declare that the thesis with the title:

EARNINGS MANAGEMENT AND THE VALUE RELEVANCE OF EARNINGS

Is really my own thinking and writing. I fully acknowledge that my writing does not contain others' or part(s) of others writing, except for those that have been cited and mentioned in references.

Yogyakarta, March,13, 2015

Ivana Prayitna

scientiae in lumine veritatis

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I am aware that my undergraduate thesis is far from perfect. I expect that readers can give comments and suggestion to enrich my undergraduate thesis. Finally, I hope this research can benefit the readers.

Yogyakarta, March,13,2015

Ivana Prayitna

Motto

No matter how long it takes, when God works, it always worth the wait.

Be fearless. The world cannot scare you, unless you allow it within yourself.

Cintailah apa yang kau kerjakan, maka kau akan menjadi sosok yang luar biasa

Pastikan kau gembira saat menyusuri jalan cita-cita dan tujuan mu. Tetaplah bersemangat, bergembira, dan penuh rasa ingin tahu – Robin Sharma (The Monk Who Sold His Ferrari)

Lakukan segala pekerjaan yang Tuhan percayakan karena Dia akan memberikan kemampuan kepada orang yang sungguh-sungguh berusaha dan bekerja – renunganharian.net

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My university

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Written by:

IVANA PRAYITNA

NPM: 111519212

Supervised by:

Jenjang Sri Lestari, SE., M.Comm., Akt.

Abstract

This research examine whether earnings management negatively affects the value relevance of earnings. I measure earnings management using Modified Jones model. Following the research by Fattahi, MoeinAddin and Abtahi (2014), I regress stock prices with earnings and discretionary accruals. The results show earnings is value relevant and earnings management positively affects the value relevance of earnings.

Keywords: earnings management, value relevance of earnings, relevance, and reliability