

**THE EFFECT OF ACCOUNTING CONSERVATISM IN THE RELATION
BETWEEN CURRENT EARNINGS AND FUTURE CASH FLOWS ON
INDONESIAN LISTED MANUFACTURING COMPANIES**

**Presented as Partial Fulfillment of the Requirements for the Degree of
Sarjana Ekonomi (S1) in Accounting Program Faculty of Economics
Universitas Atma Jaya Yogyakarta**

THESIS



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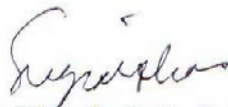
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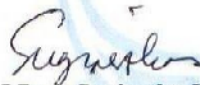
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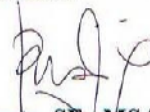
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Is really my own thinking and writing, I fully knowledge that my writings does not contain others' or part(s) of others' writing, except for those that have been cited and mentioned in the bibliography.

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Ni Made Mega Primandari

MOTTO

“The future belongs to those who believe in the beauty of their dreams”

--- Eleanor Roosevelt

“If you can dream it, you can do it”

--- Walt Disney

“Nothing is impossible; the world itself says ‘I’m possible’!”

--- Audrey Hepburn

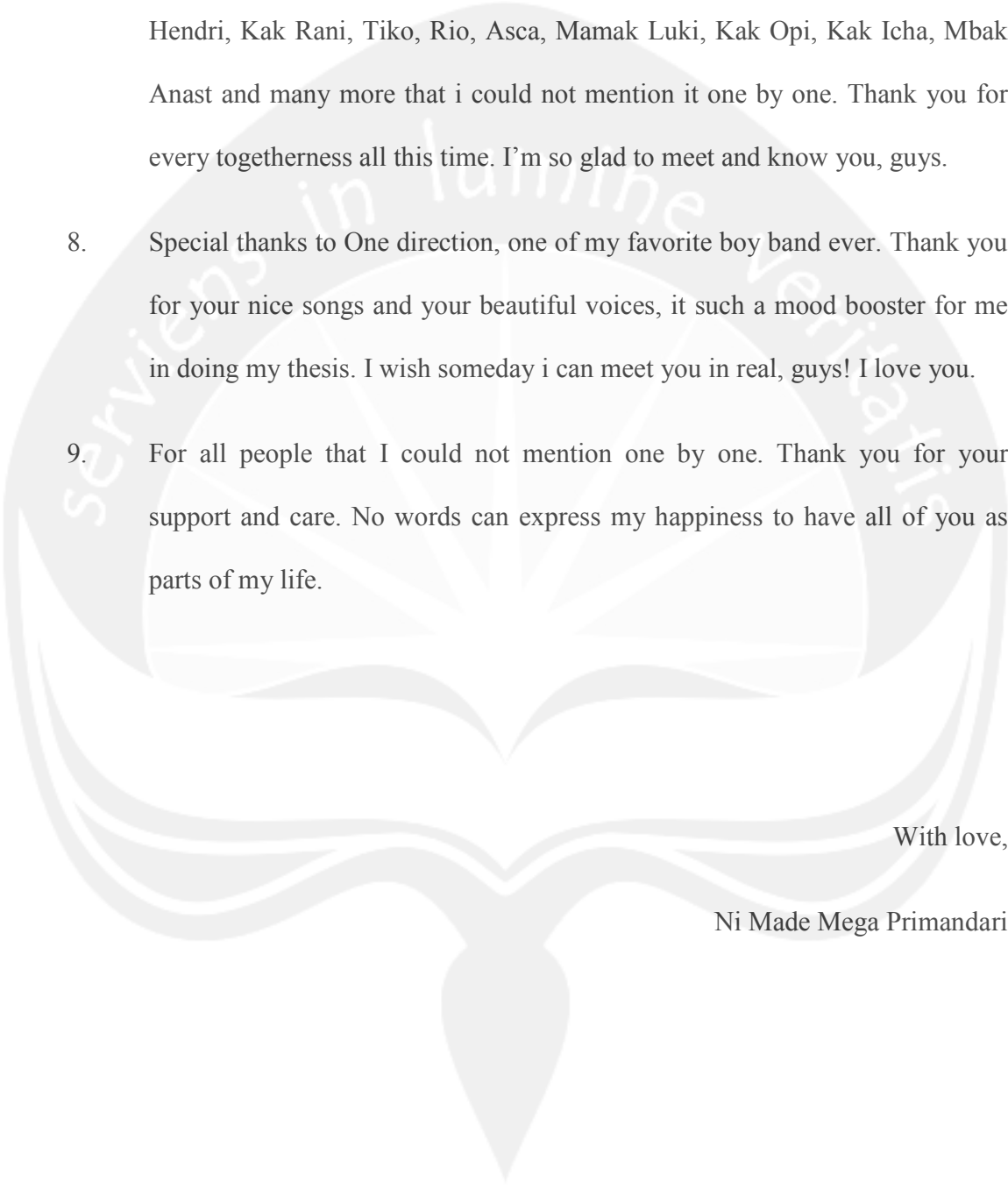
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With love,

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ABSTRACT

This study aims to test the effect of accounting conservatism to current earnings in predict future cash flows. Accounting conservatism is measured by nonoperating accruals, this model is develop by Givoly and Hayn (2000). Samples in this study are manufacturing companies listed in Indonesia Stock Exchange from 2000 until 2010 which meets the sample criteria.

This study used t-test approach to test the hypothesis. The result of this research shows that null hypothesis is accepted and supported. This finding means accounting conservatism affects the relation between current earnings and future cash flows. The result of t-test shows that accounting conservatism positively affects the relation between current earnings and future cash flows. It is said when the numbers of accounting conservatism increase, the relation between current earnings and future cash flows will increase as well. This could happen because several positive impact brought by the application of accounting conservatism.

Key words: Future cash flows , Current Earnings, Accounting Conservatism