

ABSTRACT

This study aimed to analyze the relationship between the distribution of dividends and earnings quality. Dividends in this study divided into two characteristics, that is, the status of the dividend distribution and the size of the dividend. This study is based on research from Sirait and Siregar (2013) with modifications include extending sample in the industrial sector that the research samples and use the latest research period. Measuring the quality of earnings in this study is proxied by the ADA (Absolute Value of performance-Adjusted Discretionary Accruals) which is based on research Kothari (2005).

The population in this study is a non-financial companies listed in Indonesia Stock Exchange during 2011-2012. Data collection using random sampling method. The data used in this study using financial statement data of 100 companies with the observation period of 3 years, in order to get 300 observations. Analysis techniques in this study using ANOVA analysis.

The research shows that companies that pay dividends have better earnings quality than companies that do not pay dividends. Companies that pay dividends in large amounts have better earnings quality than companies that distribute profits in small amounts. Companies that increase the size of the dividend from the previous period have better earnings quality from the company that does not raise the size of the dividend from the previous period. In addition, this study also showed that companies that persistent dividends during the period of observation have better earnings quality from the company that are not persistent dividend during the period of observation.

Keywords: dividend paying status, the size of the dividend, earnings quality, ADA (Absolute Value of performance-Adjusted Discretionary Accruals).