

ABSTRACT

This study aims to examine the influence of book tax differences toward earnings changes. Earnings change is calculated by subtracting the net income one period ahead with current net income and then divided by the current net income. Independent variables used in this study is temporary differences and permanent differences which are proxy of book tax differences, while the dependent variable is earnings change.

The population of this study is the manufacturing companies listed in Indonesia Stock Exchange in 2008-2010. Sampling conducted with a random sampling technique. Based random sampling method, the sample obtained a total of 31 companies. The method of analysis that was used to test the independent variables influence the dependent variable is the multiple regression.

The results showed that permanent differences has no significant affect toward earnings change. Temporary differences has no significant affect toward earnings change.

Keywords: book tax differences, permanent differences, temporary differences, earnings change.