

## ABSTRACT

*This study aims to examine the effect of book-tax differences to earnings persistence on the listed manufacturing companies in Indonesia Stock Exchange during years 2010-2012. In this study, there are four independent variables, three controls variables, and one dependent variable. This research is a replication of the Jackson's study (2009). Contribution of this study is to add a variabel large positive book-tax differences and large negative book-tax differences as a independent variable to examine its effect on book-tax differences.*

*The independent variable in this study is permanent differences, temporary differences, large positive book-tax differences and large negative book-tax differences. The dependent variable is earnings persistence is proxied by income before tax and net income. The control variables that are components of cash flow and accrual, size, and Return on Assets (ROA). Samples used in this study are 71 manufacturing companies listed in Indonesia Stock Exchange during years 2010-2012. Methods of statistical analysis used multiple regresion using the program SPSS 16.*

*The results show that temporary differences its not significantly affect the earnings persistence and permanent differences significantly affect the earnings persistence. While for large positive book-tax differences and large negative book-tax differences not significantly affect the earnings persistence. Of the four hypotheses in this study, the hyphotesis is accepted is the first hypothesis that the temporary differences in book-tax differences had a negative affect on earning peristence and the second hypothesis that permanent differences in book-tax differences had a positive affect on earnings persistence. So that, it can be concluded that the earning persistence would be lower if there is a large temporary differences and earning persistence would be lower if the permanent differences is small. While, companies with a large positive book-tax differences and large negative book-tax differences unable to maintain earnings compared with a company that had a small book-tax differences.*

*Keywords: book-tax differences, component of cash flow, size, Return on Asset (ROA), earning persistence.*