

## **ABSTRACT**

*This study aimed to test the effect of earnings and cash flow to predict the probability of financial distress in the entire company except banking industry.*

*This study uses secondary data obtained from company financial reports from the year 2005 until the year 2008 are listed in Indonesia Stock Exchange. Data on the years 2005, 2006, and 2007 is used to predict financial distress at one year after, it is on the 2006, 2007, and 2008. Data were analyzed with logistic regression models.*

*The results of this study show that income has a significant influence in predicting financial distress that occurred in all non-bank companies. This study failed to demonstrate the influence of income in predicting financial distress that occurred in all non-bank companies.*

*Keywords: financial distress, profits, cash flow.*