

## **ABSTRACT**

*This research aims to test the effect of financial ratios which are CACL, CATA, WCTA, NITA, RETA, SETA, TLTA, STA, and ITO to predict the probability of financial distress in the manufacturing companies listed in Indonesia Stock Exchange for the period of 2005-2009.*

*Data used in this research are secondary ones which obtained from Indonesian Capital Market Directory (ICMD). Financial data from 2005 to 2007 are processed ones used to independent variabels and data in 2008-2009 are used as guidance to determine financial distress status using a negative EPS of 2 (two) consecutive years. This study used 102 manufacturing company as samples which consist of 89 non-financial distress and 13 financial distress.*

*Hypothesis of this research are tested by analysis model of 1 year, 2 years and 3 years before financial distress. Result of data analysis using logistic regression method shows that the analysis model of 1 year before financial distress produces the highest prediction accuracy overall that is 94,1%. The test results with 3 analysis models also shows that the variable of CACL, WCTA and NITA significantly influence probability of financial distress with 5% level of signficancy.*

*Keyword : financial distress, financial ratios, earning per share, logistic regression*