THE INFLUENCE OF TAX PLANNING AND EARNINGS MANAGEMENT TO THE INFORMATION CONTENT OF BOOK INCOME AND TAXABLE INCOME IN INDONESIA

SUBMITTED TO FULFILL A PART OF REQUIREMENTS TO OBTAIN ACCOUNTING BACHELOR TITLE
ACCOUNTING DEPARTMENT
ACCOUNTING STUDY PROGRAM

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ECONOMIC & BUSINESS FACULTY
AIRLANGGA UNIVERSITY
SURABAYA
2016
THESIS

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THESIS ORIGINALITY STATEMENT

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Surabaya, 18 February 2016

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FOREWORDS

Biggest Thanks to Allah SWT for His Grace that the writer can finish this thesis which is called “The Influence of Tax Planning and Earnings Management to the Information Content of Book Income and Taxable Income in Indonesia”, as one of the prerequisite for obtaining the title of Bachelor of Accounting (S.A) in the Accounting Department, Economic and Business Faculty of Airlangga University.

The writer realizes that this thesis is far from perfect, and the writer hopes for the critiques and suggestions for this thesis from all parties, so this thesis can be improved to be better and closer to perfection.

There are many helps that the writer obtain from many parties, so in this occasion, the writer would like to thank many parties for their help in conducting the writing for this thesis, either materially, or morally, and directly, or indirectly, in highest regards:

1. Prof. Dr. Dian Agustia SE., M.Si., Ak as the Dean of Economic and Business Faculty, Airlangga University, and First Vice Dean, Second Vice Dean, and Third Vice Dean of the Economic and Business Faculty, Airlangga University.

2. Ade Palupi, SE., MPPM., Ph.D., Ak. as Head of Accounting Study Program of Economic and Business Faculty, Airlangga University.
3. Dr. Elia Mustikasari, SE., M.Si., Ak., CMA., BKP., BAK., CA. as Advising Lecturer that have given her time to advise, teach, and give many critiques and suggestions for the writing of this thesis.

4. The writer’s parents, Hardjono Tjatjo SH, and Hartini Yuniarti and other families of the writer, that have given motivation and prayer for the success of this writing.

5. Friends of the writer, from Accounting Faculty, and Pusdat, that have given motivation to the writer for the success of this writing.

6. Other friends of writer from every realm, that have given many motivations and helps to the writer in good and bad times.

7. Other parties that the writer can’t state each of them, for their help in writing this research.

As a foreword, the writer hopes that the writing that have been expressed in this thesis can be beneficial for all people.

Surabaya, 16 February 2016

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ABSTRACT

This research analyzes the comparison between information content of book income and taxable income between the companies which exhibit high tax planning, with other companies, and between the companies which exhibit high earnings management, with other companies, and the joint influence of tax planning and earnings management, using current effective tax rate for the tax planning variable, Modified Jones model for the earnings management variable, and buy-and-hold market-adjusted return for the information content of earnings variable.

The population of this research are the manufacturing companies that are registered in Indonesian Stock Exchange and publicly traded their stocks, and the sample of this research are 157 samples which are gathered from 59 public companies that are registered in the year 2012 to 2014 and publicly traded their stocks at that period.

The result of this research is that companies with high tax planning maintain lower information content of book income and higher information content of taxable income compared to other companies, companies with high earnings management maintain higher information content of book income and lower information content of taxable income compared to other companies, and that tax planning and earnings management are jointly affecting the information content of earnings.

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