ABSTRAK

Research on the information content of accounting earnings compared with the information content of cash flow. Cash flow have suggested that additional information content when compared with information on the accounting profit. Investors information can be obtained from various sources. Investors are faced with a situation of uncertainty in every investment decision, therefore investors need information to reduce these uncertainty.

Investors can react positively or negatively. When investors receive the information and react to that information, than the reaction will be reflected in the presence of abnormal return. Accounting income is one source or information on that was used as reference by investors. Research to test the information content of accounting earning are mostly done by measuring strength of relationship between accounting profit and stock price or return.

Another way to test the content of an information is to look at the behavior of market reaction. This study aims to examine the information content of accounting earning by looking at the behavior of market reaction to accounting earning announcements conditioned good news and bad news. 

This results of this study indicate that the market reacts to accounting earning announcements of good news and bad news around the date of publication of accounting earning. Proof there is any abnormal return will be conducted using t-test analysis. Based on the calculation of abnormal return and the average value of testing using a test, it can be concluded that the market reaction shown by the averages shown significant positive abnormal return around the announcement date accounting earning was conditioned good news. The market reaction shown by the average proven to significantly negative abnormal return surrounding the announcement date accounting earning was conditioned bad news.

Keyword : Accounting earning of good news and bad news, market reaction, abnormal return, event study.