

INCOME STATEMENT CLASSIFICATION AND THE PREDICTIVE CONTENT OF EARNING FOR THE GO PUBLIC MANUFACTURING COMPANIES IN INDONESIA

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The objective of this research is to find out the best model of income statement classification for predicting the following year income and also to find out the income components which are consistently able to be predictors of the following year income.

The model of income prediction used is *random walk*, while the test of data accuracy used is the approach of *ex post (within sample)*. Furthermore, this research uses the data of the whole population of the financial statement of manufacturing companies which have been *go-public* at Jakarta Stock Exchange in the period of 1991-1999, exception that unrequired model classification. The test of accuracy is done for the single year data in the normal condition of economy, 1992, 1993, 1994 and 1995, and in the crisis condition of economy for the year of 1997 and 1998, as well as the pooling data normal condition of economy years 1992-1995.

The result of the research shows that the model of income statement classification of NONREC (*Non-recurring*) is considered the best model when it is compared to that of OPINC (*Operating Income*) and that of FULL (*Full disaggregation*) for predicting the following year income.

It also shows that predicting the data using single year has better result when compared to that using pooling data. Besides, income prediction is better whenever it is only done for the year with the normal condition of economy.

The income from continuing operations, operating income, gross margin, general and administrative expenses are proved to be the predictor components for the following year income. The component of non-recurring income, minority right, special items, discontinued operations, and that of extraordinary items are not able to fulfil the data normality assumption. On the other hand, the other income components such as selling expenses, non-operating income, income tax are not consistent to be the predictor of following year income.

Key words: *income component, income prediction, model of income statement classification.*