

## ABSTRACT

### THE ABILITY OF FINANCE RATIO IN PREDICTING PROFIT CHANGE IN MANUFACTURE COMPANY

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To find out financial development of a company, an interpretation or analysis to company finance data needs to be conducted and this would be beneficial for analyzer to find out company condition or development. This research discussed the finance ratio ability in predicting profit of manufacture company.

The objective of this research was to test whether finance ratio had ability to predict company profit change in one year ahead. The research object was a company financial report data of 21 manufacture company listed in BEI from 2009 to 2011 which supported the research. Dependent variable was profit change and independent variable was *current ratio*, *net profit margin*, *inventory turnover*, *total assets turn over* and *return on equity*. Data were analyzed with statistic test by using doubled linier regression analysis with 5% significance.

The research results showed that all of independent variables had insignificant influences in predicting company profit in one year ahead. *Return on equity* influenced positively the company profit margin.

Keywords : profit change, *current ratio*, *net profit margin*, *inventory turnover*, *total assets turn over* and *return on equity*