

# **Financial Distress Prediction Using Earnings And Cash Flow On The Manufacturing Companies Which Listed In Indonesian Stock Exchange (IDX)**

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## **ABTRACT**

Financial distress is a condition unhealthy corporate finance prior to bankruptcy. The research purposes to examine the effect of earning after tax and cash flow of the probability of financial distress in manufacturing companies which listed in Indonesian stock exchange. The research use secondary data obtained from the company's financial statements in the period of 2007 to 2011 which listed in Indonesia Stock Exchange.

The research use sample of 44 companies experiencing financial distress and 231 non financial distress companies. The results of this research indicate that the earning after tax and cash flow has a significant effect in predicting financial distress. but the earning after tax has a greater predictive value of the cash flows in predicting financial distress that occurs in all manufacturing companies.

Keywords: financial distress, earning after tax and cash flow.