## ABSTRACT

The purpose of this study was to examine the effect of financial ratios in predicting earnings in the future. The data used is the manufacturing company's financial statements that have been listed on the Indonesia Stock Exchange (BEI) for the year 2007-2010. Hypothesis testing the effect of financial ratios to earnings in the future by using multiple regression, F test and t test.

Dependent variable in this study is the profit in the future and for the independent variables using financial ratios. Independent variables used are the financial ratios liquidity ratio (Current Ratio and Quick Ratio), the solvency ratio (Debt to Equity Ratio and Net Income Ratio), Profitability ratio (Return On Asset) and the ratio of activity (Total Asset Turn Over).

This study aims to investigate further on the empirical findings of financial ratios, especially with regard to its effect in predicting the future profits in the year 2007 until 2010. Results of this research show, partially Net Income to Liabilities of variables that affect the future earnings will come while the variable Current Ratio, Quick Ratio, Debt to Equity Ratio, Return on Assets and Total Asset Turnover Ratio had no effect on earnings in the future. While simultaneously or jointly variable Current Ratio, Quick Ratio, Debt to Equity Ratio, Net Income to Liabilities, Return on Assets and Total Asset Turnover Ratio effect on earnings in the future.



**Keyword : Monetary Ratio, Profit.**