

ABSTRACT

Sonia Siregar, *The effect of Prudence on Earning Quality Using Market Based Approach in Banking Industry that listed on the Indonesia Stock Exchange 2012 - 2014 . (under the supervision of Mrs. Sri Handayani).*

This research aims to investigate the relationship between Prudence and Earning Quality. For measuring Earning Quality, this research using Market Based Approach; Earning Relevance and Earning Timeliness. This research want to investigate whether the use of Prudence still have a positive effect on Earning quality. Sample for this research are using companies on Banking industry that listed on the Indonesia Stock Exchange 2012 – 2014.

This research using data analysis method, Normality test, Classic Assumption test, Hypothesis test and Statistic test.

Normality test data show distributing normally, Autocorrelation test showed free from autocorrelation, heteroscedasticity test show the data was not occurring heteroscedasticity. Thus we can conclude that regression model it may be used for research and free from classical assumption.

The result confirmed that Prudence has a positive relationship on Earning Relevance and Earning timeliness.

Keyword: *Earning Quality, Conservatism, Prudence, Market Based*