

ABSTRACT

Manufacturing companies are obliged to make innovation in order to keep their going concern. Innovation can be realized as a Research and Development (R&D) activity. R&D activity occurs R&D costs. Based on PSAK 19 (2012 revision), entity must expense its research cost at its cost. In the development stage, entity can capitalize all development costs into intangible asset which company can amortize. R&D is essentially implemented with the expectation to gain new realizable knowledge to enable companies to increase its income and return.

This research aims to examine the impact of accounting choice on R&D and R&D cost to companies' profitability. The proxies of profitability are Return on Asset (RoA) and Price Earning Ratio (PER).

This research is classified as a verifying-descriptive research which aims to show the causality evidence among its variables. Samples of this research are manufacturing companies listed on Indonesia Stock Exchange (IDX) in 2011-2013 period. Purposive sampling is used as a sampling method and there are 16 companies (48 data) acquired. Meanwhile multiple linear regression with dummy variable is used as research method.

The result shows that accounting choice on R&D and R&D cost both simultaneously and partially positively influence companies' profitability.

Keywords: Innovation, Accounting Choice, R&D, Profitability.