Analysis Of Discretionary Accrual, Differences In Profits, Cash Flow And Fiscal Profits On Profits Persistence Of National Manufacturing Companies Listed In Indonesian Stock Exchange

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Abstract:
This study examines the effects of cash flow, discretionary accruals, and accounting profit on the persistence of profits in manufacturing enterprises. Manufacturing firms registered on the Indonesian Stock Exchange make up the study’s population. Purposive sampling was the technique employed for sample selection. Secondary data, specifically financial reports of manufacturing firms that have gone public and are listed on the IDX, is the type and source of data used in this study. Descriptive statistics and multiple regression are the statistical techniques used to examine data and test hypotheses. Profit persistence is significantly harmed by the discrepancy between accounting profit and fiscal profit, which serves as a stand-in for deferred tax expense. Earnings permanence is significantly harmed by discretionary accrual. Profit persistence is significantly influenced favorably by operating cash flow. We can draw the conclusion that a company’s earnings will last longer the higher its operating cash flow.

Keywords: manufacturing companies, accounting profit, fiscal profit, discretionary accrual, cash flow, profit persistence.
Introduction

In recent years, the business world has been facing a serious financial crisis. This resulted in many large companies going out of business or going bankrupt. This situation ultimately forces companies that are still surviving to be able to maintain their survival by being able to compete with other companies. It needs money or capital raised from creditors as well as investors in order to carry out its operations and compete with other businesses. Of course, the company will get these funds provided investors and creditors believe in it. If the business can demonstrate strong performance—which can be gauged by how much money the business makes—it will be able to win people's trust. For parties with an interest in the firm within a specific time period, financial reporting is a type of management responsibility for the management of corporate resources. General-purpose financial reports serve to show management’s accountability (stewardship) for users of the resources entrusted to them while also providing information about the company’s financial position, performance, and cash flow that is useful for the majority of report users in order to make economic decisions. Information on earnings and their components is the primary emphasis of financial reporting. Apart from profits, investors and creditors also use cash flow information as a measure of company performance (Djamaluddin, 2018).

A cash flow statement's primary function is to reveal information about a company's period's cash inflows and outflows. The second goal is to offer fundamental cash data about a company’s activities, investments, and financing. For parties having a stake in a company, knowledge of profits (earnings) is crucial. Profits are frequently used by internal and external parties of the business as a basis for decisions, such as paying salaries and bonuses to managers, gauging their accomplishments or performance, deciding how much tax will be levied, and distributing dividends. As a result, investors, creditors, accounting policymakers, and the government are focused on the quality of earnings. Quality profits, which are evaluated by the accrual and cash flow components, are profits that reflect future profits (sustainable earnings). In addition to being able to exist (going concern), the company's goals also include making money. Profits that can predict future growth are referred to as quality profits. Financial reports are meant to offer information that can help in decision-making. The Financial Accounting Standards (SAK) specify requirements that accounting information must meet in order to be used in decision-making to help achieve this goal. Relevant and dependable standards are the primary ones. Accounting information is seen relevant if it can affect choices by modifying or enhancing expectations on the part of decision-makers, and it is deemed trustworthy if it can be relied upon and makes the use of information dependent on it (Lidyah, 2018).

Taxes are also calculated based on reported profits. The two terms, accounting profit and fiscal profit, are frequently distinct. This discrepancy results from the fact that each party’s goals for reporting profits are different. The distinction between fiscal profit and accounting profit (book-tax discrepancies) might reveal details about the caliber of earnings. The underlying assumption is that measuring fiscal profit has minimal room for accounting discretion. Information about management discretion accruals can be found in the gap between fiscal profit and accounting profit (book-tax disparities). Accounting profit persistence is a change in anticipated future earnings that is suggested by the accounting profit for the current year. The size of this modification demonstrates the endurance of profit. One element of the predictive value of earnings is earnings persistence. Given that earnings persistence is a relevant component, some information in book-tax discrepancies that can affect earnings persistence can assist investors in determining the caliber of earnings and the value of the company. However, there are still a lot of views that both agree with and disagree with the claim that book-tax discrepancies can reveal information about the permanence of earnings. When profits represent continuity (appropriate earnings) in the future, this is referred to as quality earnings or earning persistence. Profit persistence is the adjustment of future profits anticipated that is reflected in profits during the present period. Because earnings persistence is a part of the qualitative attribute of relevance, namely predictive value, it is frequently utilized as a factor in determining earnings quality. Quality profit is profit that is beneficial to investors. Profit persistence is one way to gauge success, and persistent profit has more application in decision-making than non-persistent profit (Ghozali, 2021).

The accrual and cash flow components of current earnings, which have a temporary and permanent nature, are what define profit persistence. In addition to cash flow, the distinction between accounting profit and fiscal profit also has an impact on the persistence of profits. Profit persistence is significantly impacted negatively by the
distinction between accounting profit and fiscal profit. This suggests that the company's profit persistence will be lower the greater the discrepancy between accounting profit and fiscal profit. Taxable income, or fiscal profit, can reveal details about the standard of wages. The basic reasoning is that while measuring fiscal profit leaves little room for interpretation, the discrepancy between accounting profit and fiscal profit (book tax discrepancies) sheds light on management flexibility during the accrual process. Accounting profit can be compared to fiscal profit as a standard. If the public believes that profits are the result of management engineering, then the profit figures are thought to be of low quality, which has the effect of making the public react unfavorably to the reported profit figures (Rika, 2016). Many academics utilize book tax discrepancies as an indicator of earnings management when evaluating earnings quality because they can show management discretion in the accrual process.

Literature Review
Due to variations in profit recording based on Financial Accounting Standards (SAK) and applicable tax legislation, accounting profit and fiscal profit differ from one another. The fundamental assumption is that not all tax regulations can incorporate accounting rules from the Financial Accounting Standards. A indication of the quality of earnings is thought to be the gap between accounting profit and fiscal profit (taxable profit). The lower the earnings quality, which also means the lower the persistence, the higher the differential. Profit persistence is significantly harmed by the disparity between accounting profit and fiscal profit (Kieso et al., 2017). This suggests that the company's profit persistence will be lower the greater the discrepancy between accounting profit and fiscal profit. Profits in accounting financial reports are often used by investors and potential investors for decision-making. This decision will determine which companies they will invest in. So that management has the possibility to manipulate profits in order to attract the interest of investors and potential investors to invest more. If so, it is not impossible that there will be an information asymmetry between management and external parties to the company. Profit persistence is another calculation in decision making. Persistent accounting profit is accounting profit that contains little or no accruals and can reflect the company's actual financial performance. Disturbances in accounting profits are caused by transitory events or the application of the accrual concept in accounting. The more accruals, the lower the persistence of profits (Meythi, 2016).

Operating cash flow is defined as cash flow coming from operating operations that includes cash effects from transactions involved in calculating net profit. Examples of such transactions include cash collections from sales of goods and services and cash payments to suppliers and workers for the purpose of acquiring inventory and covering expenses (Maya, 2023). The company’s capital structure remains stable because there is enough cash flow from operating activities to prevent the requirement for external financing (the issuing of shares or loans to third parties). This indicates that the corporation manages investment capital effectively and efficiently. Users can learn the causes of the discrepancy between net profit, or accounting profit, and cash profit by using the cash flow report (Yacob et al., 2021). Adjustments to non-cash components of the profit and loss statement, adjustments to profits or losses from the sale of non-current assets, and adjustments to changes in current assets and liabilities are the three basic types of adjustments that must be made. Depreciation expense is an illustration of a change to a non-cash profit or loss element. In order to calculate the amount of cash flow from operating operations, depreciation expense must be added to net income since it is an expense but does not require a cash outlay in the current year. Persistence profit is significantly impacted favorably by operating cash flow. Profit persistence is positively correlated with operational cash flow, meaning that the larger an organization's operating cash flow, the higher its profit persistence (Yulianti, 2015).

Methodology
Manufacturing firms registered on the Indonesian Stock Exchange make up the study's population. Purposive sampling was the technique employed for sample selection. A approach for gathering data only based on individual preferences or skill strategies is called purposive sampling. Secondary data types and sources are used in this study's data types and sources. Secondary data is a source of information used in study that was gathered and recorded by third parties and received by researchers indirectly through intermediary media. The financial reports of manufacturing companies...
that have gone public and are listed on the IDX serve as the secondary data for this analysis. Using Microsoft Excel 2007 and SPSS version 20.0 software, descriptive statistics and multiple regression are the statistical approach used to analyze data and test hypotheses. The average (mean), standard deviation, variance, maximum, minimum, total, range, kurtosis, and skewness (differences in distribution) of data are all described by descriptive statistics. Researchers use descriptive statistics, which look at the average (mean), maximum, minimum, and standard deviation. The test used is Kolmogorov-Smirnov. The hypothesis in this study was tested using multiple regressions.

Case studies

The independent variable, which is the difference between accounting profit and fiscal profit using the deferred tax expense (BPT) proxy, has a range of values from 84 thousand to 4 million, according to these descriptive data. BPT’s standard deviation is 622 million, and its average value is 178 million. Maximum and minimum values for the independent variable operating cash flow (AKO) are 2,623,473 and 1,110, respectively. The standard deviation is 337,5, while the average AKO value is 137,4. The independent variable accrual ranges in value from -702,9 to 2,5 million at its highest. The standard deviation is 343,2 and the average is 43,7. A minimum value of 330 is assigned to the profit variable for the year (PTBi(t)), while a maximum value of 3,326,000 is assigned to it in 2012. The standard deviation of PTBi is 546,732 and its average value is 211,000. 0.65 is the R-squared value. This indicates that the difference between accounting profit and fiscal profit with proxies for deferred tax expense, cash flow, and accruals, which is the independent variable, influences 65% of the dependent variable, or profit persistence. The remaining 35% are attributable to additional factors that this study did not cover. The value of the constant coefficient, according to the findings of the calculation of the regression coefficient, is 35.6. With a significance level of 0.004, the coefficient of the difference between accounting profit, fiscal profit, and the deferred tax expense proxy is -0.01. With a significance level of 0.000, the operating cash flow coefficient is 0.95. With a significance level of 0.000, the accrual value coefficient is -1.060. With a significance level of 0.000, the profit coefficient for the current year is 1.7.

With a sig value of 0.000, the f-count value is 64.9. The fact that the sig value is < alpha (= 5%) suggests that the regression model can be utilized to estimate company value. Therefore, it may be said that Ha is accepted, which demonstrates that the proxies for deferred tax expense, cash flow, and accruals have a large simultaneous influence on the difference between accounting profit and fiscal profit. According to the findings of the tests conducted, the difference between accounting profit and fiscal profit (BPT) had a significant impact on profit persistence, with a significant value of 0.004 (sig < 0.005) being associated with deferred tax expense. BPT has a bad link with earnings persistence if it negative. Therefore, it can be stated that earnings persistence is significantly and negatively impacted by the gap between accounting profit and fiscal profit (BPT). So, the first theory is adopted. This study supports earlier studies that found box tax disparities have a detrimental impact on the persistence of accounting gains over time. However, this contradicts research conducted by other researchers.

According to the findings of the experiments, discretionary accruals (TAcc) have a significant impact on earnings persistence, with a significant value of 0.000 (sig < 0.005), and discretionary accruals without earnings persistence have a significant negative impact on earnings persistence. And if we look at β, which is negative, then BPT has a negative relationship with earnings persistence. So, it can be concluded that discretionary accruals (TAcc) have a significant and negative influence on earnings persistence. Thus, hypothesis 2 is accepted. This study supports earlier studies that found a negative and significant impact on profit persistence of the amount of accruals. The amount of noise (disturbing factors) generated by the accrual component in the organization will have an impact on how long profits last. Because they are dependent on accruals, the accrual and current earnings components frequently occur or persist in predicting future earnings. Based on the results of the testing, it was determined that operational cash flow (AKO) has a positive association with profit persistence, having a Sig. of 0.000 (sig < 0.005) with positive β. Therefore, the proposed hypothesis is sound, and in light of the findings of the study, hypothesis 3 is accepted. We can draw the conclusion that a company's earnings will last longer the higher its operating cash flow. This finding differs from that of earlier study, which claimed that operating cash flow had no bearing on the permanence of profits. The findings of this study, however, are consistent with earlier research that found operational cash flow had a beneficial impact on profit persistence, meaning that the higher an organization's operating cash
flow, the higher its profit persistence.

**Conclusion**

Profit persistence is significantly harmed by the discrepancy between accounting profit and fiscal profit, which serves as a stand-in for deferred tax expense. Discretionary Earnings persistence is significantly negatively impacted by accrual. The amount of noise (disturbing factors) generated by the accrual component in the organization will have an impact on how long profits last. Because they are dependent on accruals, the accrual and current earnings components frequently occur or persist in predicting future earnings. Profit persistence is significantly influenced favorably by operating cash flow. We can draw the conclusion that a company's earnings will last longer the higher its operating cash flow. Investors, who are capital owners, can learn about the company's continuity so they can choose the best manufacturing companies to invest in for the long term and minimize their risk of loss. It is anticipated that academics, researchers, and readers will be able to carry out additional research on the distinctions between accounting profit and fiscal profit, cash flow, and accruals to benefit other interested parties.

**References**


