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Research Paper

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## The Effect of Cash Flow Volatility, Sales Volatility, and the Operating Cycle on Earnings Persistence

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**ABSTRACT :** Earnings persistence is profit that does not fluctuate and reflects a sustainable profit in the future for a long period. Users of company financial statements certainly expect the company to have persistent profits, because non-persistent profits will cause inaccurate problems in decision making based on future conditions, therefore companies need to manage effectively the factors that affect earnings persistence so that the company can have a persistent profit. The purpose of this study was to determine the effect of cash flow volatility, sales volatility, and the operating cycle on earnings persistence. This research was conducted at hotel and tourism sector companies listed on the IDX from 2014-2018. The number of samples taken was 50 observations for 10 companies with non-probability sampling methods and purposive sampling techniques. The data analysis technique used is multiple linear regression analysis. Based on the analysis, it was found that cash flow volatility and the operating cycle had a negative effect on earnings persistence, while sales volatility had a positive effect on earnings persistence.

**Keywords -** Cash Flow Volatility, Sales Volatility, Operating Cycle, Earnings Persistence

### I. INTRODUCTION

The financial report is a record of financial information and a form of corporate responsibility in an accounting period that is used to describe the company's performance. There are two objectives of financial reporting according to Statement of Financial Accounting Concepts (SFAC) No. 1. First, provide useful information for investors, potential investors, creditors, and other users to make investment, credit, and other similar decisions. Second, it provides information about cash flow prospects to assist investors and creditors in assessing the prospects for a company's net cash flow (FASB, 1978). One of the elements of the financial statements used as a basis for decision making is earnings information. Profit information is very important for the parties involved in the company, to estimate the company's future profits (Sutisna & Ekawati, 2017). With the role of earnings information, the quality of earnings is very important for decision makers. This is supported by the FASB which issued SFAC No. 1 who considers that accounting profit is a good measure of company performance and therefore accounting profit should be used in predicting future cash flows and profits. Earnings quality is the ability of earnings to describe the truth of the company's earnings and help predict future earnings, taking into account its stability and persistence (Utari & Mertha, 2016).

Earnings persistence is often used as a consideration for earnings quality because earnings persistence is a component of the qualitative characteristics of relevance, namely predictive value (Adela, 2020). Based on SFAC No. 8, relevant financial information is financial information that is capable of making a difference in decision making if it has predictive value and confirmatory value. Earnings persistence is often categorized as a measure of earnings quality because earnings persistence contains predictive value elements so that users of financial statements can be used to evaluate past, present, and future events (Adela, 2020). Earnings persistence is an income that does not fluctuate and reflects a sustainable profit in the future for a long period (Hui et al., 2016). Companies that have unstable profits and fluctuating profits have decreased sharply to experience losses in a short time, indicating that the company cannot reflect persistent profits (Ganitri Putri & Supadmi, 2016).

Earning indicators in the coming period with a predictive value component of an earnings that are used to assess long-term company performance can be defined as earnings persistence (Mahendra & Suardikha, 2020). In principle, the notion of earnings persistence can be viewed from two perspectives. The first view states that earnings persistence is related to company performance which is represented by company profits, persistent earnings are reflected in profits that can be sustainable over a long period. The second view states that earnings persistence is related to the performance of the capital market share price which is manifested in the form of returns, so that the stronger relationship between company profits and returns for investors in the form of stock returns shows high earnings persistence (Arisandi & Astika, 2019).

Users of corporate financial information certainly expect the company to have persistent profits, because inconsistent profits will cause inaccuracies in decision making based on future conditions (Zhou, 2016). The phenomenon of inconsistent profit has occurred in the hotel and tourism sector companies. Hotel and tourism sector companies are companies that are classified as service companies. In addition, this business is a seasonal business shown by fluctuations in sales volume during peak season, has a short distribution chain and time span, an industry that uses labor intensively and investment in the hotel industry is mostly in the form of fixed assets. Companies in this sector are also very strategic and play a very important role in the life of the community, especially in Indonesia, because they are an effort to increase the country's foreign exchange. With the high role of hotels and tourism in Indonesia, it is believed to be able to increase persistent profits in the hotel and tourism sector companies in Indonesia. However, in reality from 2014 to 2018, hotel and tourism sector companies listed on the IDX (Indonesia Stock Exchange) experienced fluctuating profits, so it can be said that the company's profits are not persistent, as shown in Figure 1 below this.

**Figure 1: Total average net profit of companies in the hotel and tourism sector on the IDX in 2014-2018 in rupiah.**

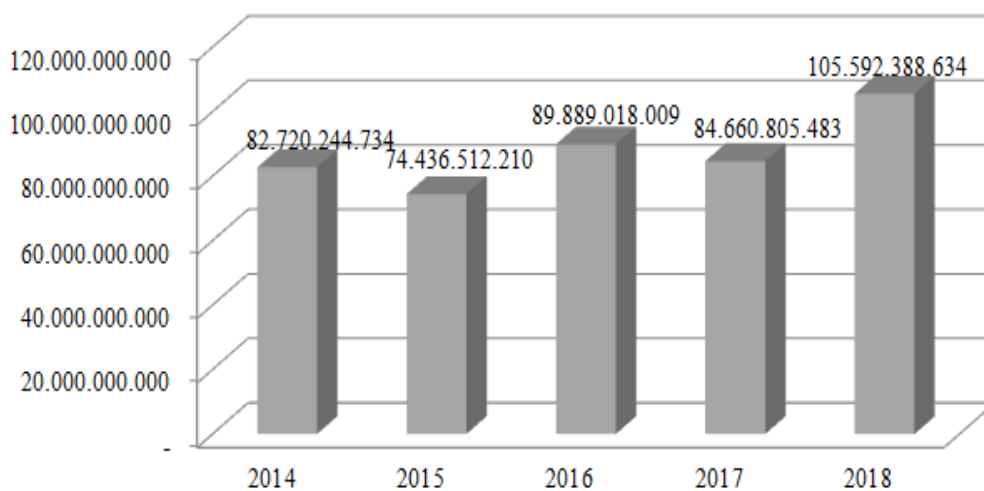


Figure 1 is the average net profit of the hotel and tourism sector companies listed on the IDX from 2014-2018. In the bar graph above, it can be seen that the total average net profit of companies in the hotel and tourism sector on the IDX from 2014-2018 has always fluctuated in a short period of time, this illustrates that the company cannot reflect persistent profits in the future or in the future. (Zhou, 2016).

Persistent profit can be obtained by companies in two ways, namely by paying attention to the factors that can influence the occurrence of earnings persistence and by practicing income smoothing (Mahendra & Suardikha, 2020). The practice of income smoothing is one of management's engineering actions to reduce the amount of profit in a certain period with the aim of obtaining the expected level of profit (Djajanti, 2017). Income smoothing is carried out because there is a difference between the profit that should be reported and the profit that is expected by the company. Income smoothing is an engineering activity carried out by company management so that the resulting profits have relatively low and stable fluctuations in each period or what is often said to be persistent earnings (Koch, 1981). Income smoothing is carried out aimed at attracting investors and creditors to keep investing their wealth in the company, but this is a detrimental thing for investors and creditors because investors and creditors do not get information that actually happens to the company (Mahendra & Suardikha, 2020).

Investors and creditors need to be careful in seeing persistent profit in the company, because this persistent profit might occur due to income smoothing practices. Therefore, investors and creditors need to pay attention to the factors that can influence earnings persistence in order to avoid companies using income smoothing practices. There are several factors that can influence earnings persistence, such as book-tax differences, managerial ownership, company size, accrual size, cash flow volatility, sales volatility, operating cycle, debt levels, audit fees, and market concentration. However, researchers only use three factors that can influence earnings persistence, namely cash flow volatility, sales volatility, and the operating cycle because other factors have been investigated several times by previous researchers and the results have been consistent. In addition, the researcher wants to reconfirm the variables used in this study.

The first factor used in this research is cash flow volatility. Cash flow volatility is defined as fluctuations in the operating environment characterized by fluctuations in the amount of cash flow owned by the

company (Susilo & Anggraeni, 2015). Agency theory emphasizes the importance of separating the management of the company from the owner (principal) so that the company owner gets the maximum profit at an efficient cost (Mahendra & Suardikha, 2020). With the separation of company management, agents are responsible for managing the company so that they can generate persistent profits in each period. Persistent profit will be realized if the agent can provide information on the company's stable operating cash flow in each period, because the company owner (principal) prefers low cash flow volatility (Susilo & Anggraeni, 2015). This shows that in agency theory the lower the volatility of the company's cash flow, the more it will increase the persistence of the company's earnings. Research conducted by Khasanah & Jasman (2019) proves that cash flow volatility has a positive effect on earnings persistence. This indicates that the higher the fluctuation of cash flow, the more persistence of earnings will be increased. The cash flow statement helps users to find out the reasons for the difference between net income or accounting profit and cash income. The results of this study are in line with research conducted by Amaliyah & Suwarti (2017) which found that cash flow volatility has a positive effect on earnings percentages. Different results obtained by Susilo & Anggraeni (2015) which state that cash flow volatility has a negative effect on earnings persistence. The negative effect shows that the higher the cash flow fluctuation, the lower the earnings persistence. To measure the persistence of earnings, stable cash flow information is needed, which has a small cash flow volatility. The same research results were obtained by Rahmadhani et al. (2016) which proved that cash flow volatility has a negative effect on earnings persistence.

The second factor used in this research is sales volatility. Sales volatility is a measure that shows the level of fluctuation or sales movements or the ups and downs of a company's sales value (Nina et al., 2014). The separation of company management in agency theory between the agent and the principal gives the agent great responsibility for managing the company's sales. Agents must strive to present stable sales with low sales volatility because if the sales volatility information in the company changes significantly each period, this can indicate an error in estimating the sales value (Saptiani & Fakhroni, 2020). Shareholders (principals) prefer a relatively stable level of sales or have low volatility, because a low level of sales volatility will increase the persistence of company earnings (Yasnita, 2017). For this reason, the agent will try to present a stable company sales value with a low level of sales volatility. Based on the above, according to agency theory the lower the level of sales volatility will increase the persistence of a company's earnings. In the research of Khasanah & Jasman (2019) it is proven that sales volatility has a positive effect on earnings persistence. This shows that the greater the sales volatility, the higher the persistence of earnings. In contrast to the research obtained by Yasnita (2017), obtaining the results of sales volatility has no effect on earnings persistence. This shows that any increase or decrease in sales volatility has no effect on earnings persistence. The high volatility of sales over several periods should be questioned, as it indicates disruptions and problems with sales information. In a stable economic condition, where there are no triggers such as an economic crisis and so on, then the sales volatility level should be low. Different results were also obtained by Amaliyah & Suwarti (2017) and Zaimah & Hermanto (2018), which proved that sales volatility had a negative effect on earnings persistence. This shows that the greater the sales volatility, the lower the persistence of earnings. Low sales volatility will show the ability of profit to predict future cash flows.

The third factor used in this study is the operating cycle. The operating cycle is a series of all transactions in which a business generates its receipts and cash receipts from customers (Fanani, 2010). In agency theory, agents are expected to be able to produce relevant company performance information. Relevant information can influence users (principals) in evaluating past, present, and future events (Zaimah & Hermanto, 2018). Long operating cycles can reduce the level of relevance of financial statements to future predictions. Therefore, agents should strive to produce relevant information by shortening the company's operating cycle. This will have a positive impact on shareholders (principals), because a short company operating cycle will minimize estimation errors and can increase the persistence of company earnings. If the agent can produce relevant information, this means that the agent has been responsible for the duties entrusted to him by the principal, because the relevant information can be used by the principal to predict the future. Amaliyah & Suwarti (2017) research results show that the operating cycle has a positive effect on earnings persistence. This shows that financial statements are a communication medium that can be used to evaluate past, present, and predict future events. The same result was obtained by Fauzia & Sukarmanto (2016) who obtained evidence that the operating cycle has a positive effect on earnings persistence. However, different results were obtained by Khasanah & Jasman (2019) and Lutfiyah (2016) which proved that the operating cycle had no effect on earnings persistence.

## II. CONCEPTUAL MODEL AND HYPOTHESIS

Based on agency theory, the principal gives the agent the right as a professional to carry out the company's operational management, this will lead to a separation between the owner and the management of the company. In agency theory, the agent as company management will attempt to present stable cash flow information with a low level of volatility as a form of responsibility for the management of the company

entrusted to it, so that one of the conditions for achieving an efficient agency contract is that agents and principals have reliable information. symmetrical can be realized. This will increase the principal's trust in the agent because the company owner (principal) prefers low cash flow volatility (Susilo & Anggraeni, 2015). A low level of cash flow volatility can increase the persistence of company earnings. In addition, the low level of cash flow volatility can be used to predict future earnings. Thus, according to agency theory, the lower the cash flow volatility can increase earnings persistence. The theory above is supported by research conducted by Susilo & Anggraeni (2015) which states that cash flow volatility has a negative effect on earnings persistence. This shows that the higher the level of fluctuation in the company's cash flow, the lower the earnings persistence. The persistence of a company's earnings can be measured by the volatility of small and stable cash flows. The same research results were obtained by Rahmadhani et al. (2016) which proved that cash flow volatility had a negative effect on earnings persistence. Based on the description above, the research hypothesis is:

**H<sub>1</sub>: Cash flow volatility has a negative effect on earnings persistence.**

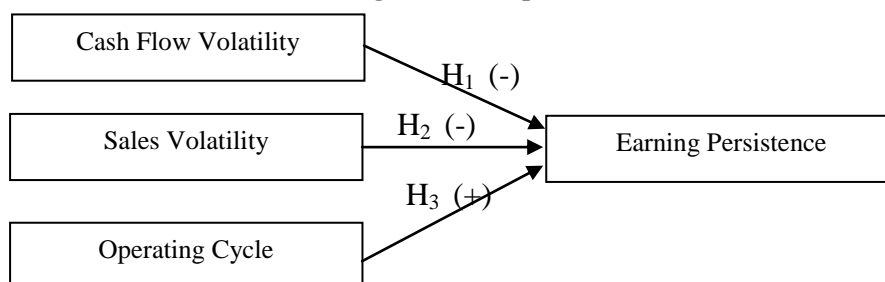
Agency theory creates a separation of company management between agents and principals. This separation gives a big responsibility to the agent to manage one of the sales of the company. Agents should strive to present a stable sales value with a low level of sales volatility because, the shareholder (principal) prefers a relatively stable or low volatility sales rate. A low level of sales volatility will increase the persistence of company earnings (Yasnita, 2017). For this reason, the agent will try to present a stable company sales value with a low level of sales volatility. If the agent can present a stable sales value with low sales volatility so as to increase the persistence of the company's earnings, then the agent has fulfilled one of the factors in creating an efficient agency contract, namely the agent and principal have symmetrical information to be able to predict future earnings. Thus, according to agency theory, the lower the sales volatility, the higher the earnings persistence. Research conducted by Amaliyah & Suwarti (2017) supports the above theory, this study proves that sales volatility has a negative effect on earnings persistence. Low sales volatility will show the ability of profit to predict future cash flows. The same result is also proven by Zaimah & Hermanto (2018), which states that sales volatility has a negative effect on earnings persistence. Based on the description above, the research hypothesis is:

**H<sub>2</sub>: Sales Volatility has a negative effect on Earnings Persistence**

Based on the theory of relevance, financial reports are a communication medium that can be used to evaluate past, present, and predict future events. In agency theory, the agent is expected to be able to produce relevant information. Relevant information can influence users (principals) in evaluating past, present, and future events (Zaimah & Hermanto, 2018). Long operating cycles can reduce the level of relevance of financial statements to future predictions. Therefore, agents should strive to produce relevant information by shortening the company's operating cycle. This will have a positive impact on shareholders (principals), because a short company operating cycle will minimize estimation errors and can increase the persistence of company earnings. If the agent can produce relevant information, this means that the agent has been responsible for the duties entrusted to him by the principal, because the relevant information can be used by the principal to predict the future. Thus, according to agency theory, the higher the intensity of the company's operating cycle, the more it will increase the persistence of the company's earnings. Research conducted by Amaliyah & Suwarti (2017) shows that the operating cycle has a positive effect on earnings persistence. The same result was also obtained by Fauzia & Sukarmanto (2016) who obtained evidence that the operating cycle has a positive effect on earnings persistence. This shows that the higher the company's operating cycle, the higher the company's earnings persistence, on the contrary, the lower the company's operating cycle, the lower the company's earnings persistence. Based on the description above, the research hypothesis is:

**H<sub>3</sub>: The Operating Cycle has a positive effect on Earnings Persistence**

**Figure 2 Conceptual Framework**



**III. RESEARCH METHODS**

This research was conducted at hotel and tourism sector service companies listed on the IDX in 2014-2018, with data accessed through www.idx.co.id and websites of hotel and tourism sector service companies which were the samples in this study. The dependent variable in this study is earnings persistence, the independent variables in this study are cash flow volatility, sales volatility, and the operating cycle.

Earnings persistence is measured by the regression coefficient of profit before tax for the current year against next year's profit before tax using simple linear regression analysis (Jumiati & Ratnadi, 2014). Profit before tax for next year is measured based on reference to previous research from Mahendra & Suardikha (2020) with the formula:

$$PTBI_{t+1} = \frac{\text{Profit before tax for next year}}{\text{(Total Equity)}} \dots\dots\dots (1)$$

Profit before tax for the current year or pre tax book incomet (PTBI<sub>t</sub>) is measured based on previous research references from Mahendra & Suardikha (2020) with the formula:

$$PTBI_t = \frac{\text{Profit before tax for the year}}{\text{(Total Equity)}} \dots\dots\dots (2)$$

Cash flow volatility is measured based on previous research references from Khasanah & Jasman (2019) with the formula:

$$\text{Cash Flow Volatility} = \frac{\sigma \text{ Operating Cash Flow } jt}{\text{(Total Assets } jt)} \dots\dots\dots (3)$$

Sales Volatility is measured based on previous research references from Khasanah & Jasman (2019) with the formula:

$$\text{Sales Volatility} = \frac{\sigma \text{ Sales } jt}{\text{(Total assets } jt)} \dots\dots\dots (4)$$

The operating cycle was measured based on reference to previous research from Sarah et al. (2019) with the formula:

$$\text{Operating Cycle} = \frac{\text{((Accounts Receivable } jt + \text{Receivables } jt-1) / 2)}}{\text{(Sales / 360)}} + \frac{\text{((Inventory } jt + \text{Inventory } jt-1) / 2)}}{\text{((Cost of Goods Sold } jt-1) / 360)}} \dots\dots\dots (5)$$

The population used in this study were 28 companies in the hotel and tourism sector listed on the Indonesia Stock Exchange (BEI) in 2014-2018. This research was conducted in the last five years with the aim of obtaining the latest data and getting the expected results. The sample used in this study was selected based on certain criteria in the non-probability sampling method with purposive sampling technique.

The first step that must be taken in this study is to calculate the earnings persistence value for each sample of companies using simple linear regression analysis. This regression is carried out with the profit before tax for the current year (PTBI<sub>t</sub>) as the independent variable and the next year's profit before tax (PTBI<sub>t+1</sub>) as the dependent variable. The equation used is as follows (Mahendra & Suardikha, 2020).

$$PTBI_{t+1} = \alpha + \beta PTBI_t + e \dots\dots\dots (6)$$

Information:

- PTBI<sub>t+1</sub> : profit before tax next year
- PTBI<sub>t</sub> : profit before tax for the current year
- α : constant
- β : regression coefficient
- e : error

The data analysis technique used in this study was multiple linear regression analysis. Multiple linear regression analysis is used to determine and obtain an overview of the influence of the independent variables, namely cash flow volatility, sales volatility, and the operating cycle on the dependent variable, namely earnings persistence. The equation for multiple linear regression analysis is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \dots\dots\dots (7)$$

Information:

- Y : Earnings Persistence
- α : Constant
- β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>: Independent Variable Regression Coefficient
- X<sub>1</sub> : Cash Flow Volatility
- X<sub>2</sub> : Volatility of Sales
- X<sub>3</sub> : Operation Cycle
- e : error

**IV. RESULT AND DISCUSSION**

Simple linear regression analysis conducted in this study aims to calculate and determine the existence of earnings persistence in the data used in this study. Simple linear regression analysis was performed with current year profit before tax (PTBI<sub>t</sub>) as the independent variable and next year's profit before tax (PTBI<sub>t+1</sub>) as



the dependent variable. The effect between profit before tax for the current year and profit before tax for the next year, which indicates the existence of earnings persistence, is indicated if the regression results of these variables show a significance value of less than 0,05. The influence that occurs between these variables shows the sustainability of profit, therefore, if the profit before tax has an influence on the profit before tax next year, it can be said to be persistent. The results of simple linear regression analysis can be seen in table 1 below.

**Table 1: Results of Simple Linear Regression Analysis**

Variable	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	0,033	0,018		1,877	0,067
PTBI <sub>t</sub>	0,728	0,183	0,497	3,969	0,000

Source: Research Data, 2020

Based on the results of simple linear regression analysis in Table 1, the regression equation can be formulated as follows.

$$PTBI_{t+1} = 0,033 + 0,728 PTBI_t + e \dots \dots \dots (8)$$

The regression equation is used to measure the value of earnings persistence in each of the companies sampled in this study. In addition, the results of simple linear regression in table 1 show that the significance value of profit before tax for the current year (PTBI<sub>t</sub>) of 0,000 is smaller than 0,05. This means that there is a positive influence between current year's profit before tax (PTBI<sub>t</sub>) and next year's profit before tax (PTBI<sub>t+1</sub>). Therefore, it can be concluded that there is earnings persistence in the hotel and tourism sector service companies which are the samples in this study.

Descriptive statistical analysis conducted in this study aims to provide an overview of the data seen from the maximum, minimum, average (mean) value, standard deviation of each research variable, namely earnings persistence, cash flow volatility, sales volatility, and cycle. operation. The results of descriptive statistical analysis can be seen in Table 2 as follows.

**Table 2. Descriptive Statistical Analysis Results**

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Persistence (Y)	50	0,030	0,190	0,087	0,046
Cash Flow Volatility (X <sub>1</sub> )	50	-0,180	0,050	-0,022	0,053
Sales Volatility (X <sub>2</sub> )	50	0,010	0,390	0,079	0,105
Operating Cycle (X <sub>3</sub> )	50	18,530	2054,880	224,762	454,268
Valid N (listwise)	50				

Source: Research Data, 2020

The results of the descriptive statistical analysis above show that the earnings persistence variable has a minimum value of 0,030 which is owned by PT. Hotel Sahid Jaya Internasional Tbk, which means that the minimum profit persistence of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is 0,030. The maximum value obtained is 0,190 which is owned by PT. Pembangunan Jaya Ancol Tbk, which means that the maximum profit persistence of the hotel and tourism sector companies in 2014-2018 which is the sample in this study is 0,190. The average value of earnings persistence is 0,087. The average value of earnings persistence is more towards the minimum value, this means that the average earnings persistence in the hotel and tourism sector companies that are sampled in this study tends to be low. The standard deviation value obtained is 0,046 which is smaller than the average value, which means that there is a low fluctuation in earnings persistence in the hotel and tourism sector companies which are the samples in this study.

The cash flow volatility variable has a minimum value of -0,180 which is owned by PT. Island Concepts Indonesia Tbk, which means that the minimum cash flow volatility of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is -0,180. The maximum value obtained is 0,050 which is owned by PT. Indonesia Paradise Property Tbk, which means that the maximum cash flow volatility of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is 0,050. The average cash flow volatility value is -0,022. The average value of cash flow volatility is more towards the minimum value, this means that the average cash flow volatility in the hotel and tourism sector companies sampled in this study tends to be low. The standard deviation value obtained is 0,053 which is greater than the average value, which means that there are high fluctuations in cash flow volatility in the hotel and tourism sector companies that are sampled in this study.

The sales volatility variable has a minimum value of 0,010 which is owned by PT. Jakarta International Hotel & Development Tbk, which means that the minimum sales volatility of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is 0,010. The maximum value obtained is 0,390 which is owned by PT. Bayu Buana Tbk, which means that the maximum sales volatility of the hotel and tourism sector companies in 2014-2018 which is the sample in this study is 0,390. The average value of sales volatility is 0,079. The average value of sales volatility is more towards the minimum value, this means that the average sales volatility of the hotel and tourism sector companies sampled in this study tends to be low. The standard deviation value obtained is 0,105, which is greater than the average value, which means that there is high fluctuation in sales volatility in the hotel and tourism sector companies that were sampled in this study.

The operating cycle variable has a minimum value of 18,530 which is owned by PT. Pembangunan Graha Lestari Indah Tbk, which means that the minimum operating cycle of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is 18,530. The maximum value obtained is 2054,880 owned by PT. Hotel Sahid Jaya Internasional Tbk, which means that the maximum operating cycle of companies in the hotel and tourism sector in 2014-2018 which is the sample in this study is 2054,880. The average value of the operating cycle is 224,762. The average value of the operating cycle is more towards the minimum value, this means that the average operating cycle of the hotel and tourism sector companies in the sample in this study tends to be low. The standard deviation value obtained is 454,268, which is greater than the average value, meaning that there are high fluctuations in the operating cycle of the hotel and tourism sector companies which are the samples in this study.

Multiple linear regression analysis is used to determine and obtain a description of the effect of the independent variables, namely cash flow volatility, sales volatility, and the operating cycle on the dependent variable, namely earnings persistence. The results of multiple linear regression analysis can be seen in Table 3 as follows.

**Table 3. Results of Multiple Linear Regression Analysis**

Variabel	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	0,071	0,008	0,000
Cash Flow Volatility ( $X_1$ )	-0,386	0,105	0,001
Sales Volatility ( $X_2$ )	0,178	0,055	0,002
Operating Cycle ( $X_3$ )	-0,000	0,000	0,021
<i>Adjusted R Square</i>	0,331		
F	9,097		
F Sig.	0,000		

Source: Research Data, 2020

Based on the results of multiple linear regression analysis in the table above, it is obtained that the multiple linear regression model formed in this study is as follows.

$$Y = 0,071 - 0,386 X_1 + 0,178 X_2 - 0,000 X_3 + e \dots \dots \dots (9)$$

The multiple regression model above shows that the constant is 0,071 which means that if the cash flow volatility, sales volatility, and the operating cycle are equal to 0, then the earnings persistence value is equal to 0,071. The coefficient value of the cash flow volatility variable is negative at -0,386, which means that if the volatility of cash flows increases by one unit, earnings persistence will decrease -0,386 assuming the other variables are constant. The coefficient value of the sales volatility variable is positive at 0,178, which means that if the sales volatility increases by one unit, the earnings persistence will increase by 0,178, assuming the other variables are constant. The coefficient value of the operating cycle variable is negative by -0,000, which means that if the operating cycle increases by one unit, the earnings persistence will decrease by -0,000 assuming the other variables are constant.

Based on Table 3, it can be seen that the calculated F value of 9,097 with a significance value of 0,000 F is smaller than  $\alpha = 0,05$ . These results indicate that the regression model in this study is suitable for use and has a simultaneous influence between cash flow volatility, sales volatility, and the operating cycle on earnings persistence.

Based on Table 3, the adjusted R square value is 0,331, this means that 33.1% of variations in cash flow volatility, sales volatility, and the operating cycle can explain the earnings persistence variable, while the remaining 66.9% can be explained by other variables outside. research

Based on Table 3, the t test results show that the cash flow volatility variable has a regression coefficient value of -0,386 with a significance value of 0,001 smaller than  $\alpha = 0,05$ , so  $H_1$  is accepted and  $H_0$  is rejected. This shows that cash flow volatility has a negative effect on earnings persistence. The higher the fluctuation in operating cash flow can reduce the persistence of company earnings. To measure earnings

persistence, stable cash flow information is needed, in the sense that it has low cash flow volatility. If the company's operating cash flow fluctuates sharply, it is very difficult to be able to predict future earnings. The results of this study are in line with research conducted by Susilo & Anggraeni (2015) and Rahmadhani et al. (2016) who obtained the results of cash flow volatility had a negative effect on earnings persistence. However, the results of this study are not in line with research conducted by Khasanah & Jasman (2019) which examines the factors that affect earnings persistence, the results of this study state that cash flow volatility has a positive effect on earnings persistence.

Based on Table 3, the t test results show that the sales volatility variable has a regression coefficient value of 0,178 with a significance value of 0,002 smaller than  $\alpha = 0,05$ , then  $H_2$  is accepted and  $H_0$  is rejected. This shows that sales volatility has a positive effect on earnings persistence. The results of this study prove that high sales fluctuations do not make earnings persistence lower, but on the contrary, high sales fluctuations increase company earnings persistence because sales are the most important part of the company's operating cycle in generating profits. Volatility of sales indicates a volatility in the operating environment and a greater deviation of approximations and estimates and corresponds to larger estimation errors and lower earnings persistence. The results of this study prove that a high level of sales can increase the persistence of the company's earnings, however, the quality of the company's earnings persistence will be low if there is sales manipulation aimed at generating high profits. The results of this study are in line with research conducted by Khasanah & Jasman (2019) which proves that sales volatility has a positive effect on earnings persistence. The results of this study are also in line with research conducted by Kasiono & Fachrurrozie (2016), which found that sales volatility has a positive effect on earnings persistence. However, the results of this study are not in line with research by Zaimah & Hermanto (2018), which proves that sales volatility has a negative effect on earnings persistence.

Based on Table 3, the t test results show that the operating cycle variable has a regression coefficient of -0,000 with a significance value of 0,021 which is smaller than  $\alpha = 0,05$ , so  $H_3$  is accepted and  $H_0$  is rejected. This shows that the operating cycle has a negative effect on earnings persistence. This shows that the higher the value of the company's operating cycle, the lower the earnings persistence value of the company. The negative effect shows that the longer the operating cycle, the greater the earnings persistence. If there is a longer cash realization, it will not reduce the persistence of the company's earnings, so it can be said that the longer the company's operating cycle in one accounting period will not cause lower earnings persistence. The results of this study are in line with research conducted by Susilo & Anggraeni (2015) and Shenjaya & Juniarti (2014) which prove that the operating cycle has a negative effect on earnings persistence. However, different results were obtained by Amaliyah & Suwanti (2017) which showed that the operating cycle had a positive effect on earnings persistence.

## V. CONCLUSION

Based on the results of research that has been conducted and the discussion described in the previous chapter, it can be concluded that cash flow volatility and the operating cycle have a negative effect on earnings persistence, while sales volatility has a positive effect on earnings persistence in hotel and tourism sector service companies listed on the Stock Exchange. Indonesian Stock Exchange (IDX) from 2014-2018.

This study uses hotel and tourism sector service companies as the research population. The next research is expected to use the population from other companies such as mining, trading, transportation and investment companies and can increase the research period because this will affect the results of the research. The next research is also expected to add a number of other variables that can affect earnings persistence such as book-tax differences, managerial ownership, company size, accruals, debt levels, audit fees, and market concentration, because the coefficient of determination in this study shows that there are still 66.9% other indicators that can explain and influence the persistence of a company's earnings.

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