



Effect of Net Profit, Operating Profit, and Gross Profit on the Prediction of Future Cash Flows (Empirical Study of Consumer Goods Industry Companies on the IDX for the 2018 – 2021)

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ABSTRACT: This study aims to analyze the effect of net profit, operating profit, and gross profit on future cash flow predictions. This research was conducted at consumer goods industry companies listed on the Indonesia Stock Exchange (IDX) for the period 2018 – 2021. Sampling in this study was carried out using a purposive sampling method. Based on predetermined criteria, a total sample of 18 companies was obtained. In this study, the data was arranged in a time series, with a research period of four years, so the amount of data obtained was 72 data, but there were outlier data so 8 data were reduced, so the data used was 64 data. Data were tested using the multiple linear regression method. The results of this study indicate that net profit and operating profit have a significant effect on predicting future cash flows, while gross profit does no effect on predicting future cash flows. And net profit, operating profit, and gross profit simultaneously affect the prediction of future cash flows.

Keywords: Net Profit; Operating Profit; Gross Profit; Cash Flow.

I. INTRODUCTION

Financial statements are data media that summarize all company activities. With the financial statements, investors can analyze the results of management's work and predict future profits. Investors can also estimate future cash flows with financial statements. Users of financial statements are expected to be able to estimate the company's performance to earn profits well if users get accurate information on financial position as well as changes in the company's financial position and cash flow statements. The presentation of profit information obtained from financial statements is one of the company's performance focuses that is very important in comparing performance measurements based on a picture between increasing or decreasing net capital. Profit has the potential for very important information for external and internal parties of the company that can be used to measure the company's performance and provide data that identifies the executive's commitment to its obligations to handle the assets it trusts, namely with profit.

Net profit is the return on investment to the owner and indicates the extent of management's success in operating the business. Net profit provides information for users of financial statements which is a summary measure of the company's overall performance during the current period and after taking into account the amount of income tax (Robani et al., 2022). Gross profit is caused by sales factors and cost of goods sold factors. The value of gross profit comes from the revenue earned by the company not entirely from cash sales but also comes from credit sales which indicates that there is a possibility of cash inflows that will be received

from customers by the company in the future. Operating profit relates to ongoing business activities. Operating profit can be influential in predicting future cash flows because the components contained in operating profit consider the company's operating expenses that support the company's main activities.

The cash flow statement reports cash receipts, cash payments, and net cash changes resulting from the operating, investment and funding activities of a company. Cash flow prediction is very important for the investment decision making of a company. Prediction of future cash flows can be achieved if investors have information related to the company. A company's investment decisions depend on investors' statements about the company's ability to generate cash flow in the future. Cash flow can be used as a reference to assess the ability to generate cash and cash equivalents and assess the company's need to use its cash. The higher the operating cash flow of a company, the higher investor confidence in the company.

II. MATERIAL AND METHODS

2.1. Signalling Theory

Spence (1973) in (Alamsyah & Askandar, 2019) suggests that the signal provides a signal, the sender (owner of information) tries to provide relevant pieces of information that can be utilized by the recipient. The receiving party will then adjust its behavior according to its understanding of the signal. Signal theory is based on the assumption that the information received by each party is not the same. In other words, signal theory is concerned with information asymmetry. Signal theory shows the existence of information asymmetry between company management and parties interested in information. For this reason, managers need to provide information for interested parties through the issuance of financial statements. Signal theory posits about how a company should signal users of financial statements. This signal is in the form of information about what has been done by management to realize the wishes of the owner. Signals can be promotions or other information stating that the company is better than other companies. The information received by investors is first translated as a good signal (good news) or a bad signal (bad news). If the profit reported by the company increases, the information can be categorized as a good signal because it indicates a good condition of the company. Conversely, if money profit is reported to be declining, the company is in a bad condition so it is considered a bad signal.

2.2. Financial Statements

According to PSAK No.1 2009 paragraph 7 states that financial statements are a structured presentation of the financial position and financial performance of an entity. The purpose of financial statements is to provide information about the financial position, financial performance, and cash flow of entities that is useful to most users of the report in making economic decisions. Financial statements also show the results of management accountability for the use of resources entrusted to them. Financial statements are prepared at the end of a period usually a quarter or one year to report funding and investment activities at that point in time and summarize operating activities during previous periods (Soleha et al., 2020).

2.3. Income Statement

The income statement is the main report related to the performance of a company during a certain year. This advantage has the potential needed for external and internal parties within the company. In (Nursya'adah, 2020) stated by Kieso (2008; 140) stated that the income statement is "a report that measures the success of an entity's operational activities in a certain accounting period that presents information related to the elements of income and costs of the entity's operational activities, which investors and creditors use to predict the amount or timing or uncertainty of future cash flows". As stated by Kasmir (2012) in (Cerniati & Hasan, 2019), an income statement is a financial statement that describes a company's business carrying a certain period. Meanwhile, according to Kieso (2011) in (Cerniati & Hasan, 2019) the income statement is a report that the actions of achieving company activities over a certain period of time, provide the data needed by financial supporters to anticipate the amount, time, and vulnerability of future income.

2.4. Accounting Profit

According to (Mahmud M. Hanafi, 2010) states that profit is a measure of overall company achievement. So it

can be concluded that profit is the entire total revenue minus the total costs. According to Kasmir (2011) states that gross profit means the profit obtained before deducting the costs that are the company's expense. This means that the overall profit is the first time the company is obtained. Operating profit is gross profit minus cost of goods sold and costs of business. Net profit is profit that has been reduced by costs that are the company's expenses in a certain period including taxes.

2.5. Cash Flow Statement

According to (Mahmud M. Hanafi, 2010) states that profit is a measure of overall company achievement. So it can be concluded that profit is the entire total revenue minus the total costs. According to Kasmir (2011) states that gross profit means the profit obtained before deducting the costs that are the company's expense. This means that the overall profit is the first time the company is obtained. Operating profit is gross profit minus cost of goods sold and costs of business. Net profit is profit that has been reduced by costs that are the company's expenses in a certain period including taxes.

The Effect of Net Profit on Future Cash Flow Predictions

Net profit is the result of all sales reduced by expenses incurred by the company including tax expenses. Net income that a company has can make it easier to predict future cash flows accurately, because net income for the current period can provide information on future cash flows and high and good net income can reflect the continuation of future profits. Net income affects future cash flows because current net income can provide information about the company's current cash flow and expected future cash flow. This is because one of the components of profit is income in the form of sales, where if sales increase, the cash received will be included in cash flow from operating activities which will then affect the company's total cash flow (Soleha et al., 2020). Profit not only provides differentiated information about cash flows connected to past transactions, but also predicts future cash flows that are connected to predictions of future operating activities and future investments. Profit information in financial statements provides a good signal to investors in making an economic decision (Purwanti, 2022)

H1 : Net profit affects future cash flow predictions.

The Effect of Operating Profit on Future Cash Flow Predictions

According to theory, operating profit measures the performance of fundamental business operations carried out by a company and is obtained from gross profit minus the company's operating activities. operating profit shows how well the company performs the specific activities of the business, regardless of funding policies and income tax management (Purwanti, 2022).

H2: Operating Profit affects Future Cash Flows predictions.

The Effect of Gross Profit on Future Cash Flow Predictions.

In preparing the income statement, gross profit is reported earlier than the other two profits, meaning that the calculation of gross profit figures will include a small component of income and expenses compared to the other two profits. Higher gross profit can show how successfully a company mandates resources, and provides a basis for understanding how profit margins have changed due to competitive pressures. In gross profit, the involvement of management control is greater and has a closer relationship with revenue creation. Gross profit is irrelevant to be used as a tool to predict future cash flows compared to operating profit and operating profit, as well as meet the need for information for users of financial statements to make decisions (Purwanti, 2022).

H3 : Gross profit affects future cash flow predictions.

Information on Net Income, Operating Profit, and Gross Profit Simultaneously Has a Significant Effect in Predicting Future Cash Flows.

The three profit figures consisting of gross profit, operating profit and net profit are useful for measuring the efficiency of managers in managing the company. Investors and creditors believe that the performance measure that is prioritized in evaluating company performance is company performance that is able to better describe the company's conditions and prospects in the future. This performance appraisal is based on gross profit, operating profit and net profit information.

H4 : Information on net profit, operating profit, and gross profit simultaneously has a significant effect on future cash flow predictions.

III. RESEARCH METHODS

The approach used in this study is a quantitative approach, which uses numerical data with the aim of finding relationships through the variables studied with predetermined hypotheses. The data used in this study is secondary data obtained from the website <http://www.idx.co.id/>. The sample in this study is a consumer goods industry company listed on the Indonesia Stock Exchange in 2018 - 2021. The sample in this study was determined using the *purposive sampling* method, in determining the sample was carried out with the criteria that had been previously set.

IV. RESULT AND DISCUSSION

4.1 Descriptive Statistical Analysis

Table 2 Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
X1_ NET PROFIT	64	49966984744	990445000000	318634698861,77	251273495509,420
X2_ OPERATING PROFIT	64	52186000000	1392616000000	458600533986,08	340303732734,298
X3_ GROSS PROFIT	64	268643747079	3422215000000	1267393012885,12	881424559456,882
Y_ CASH FLOW	64	2681860260	3367867000000	554913420219,34	592976810160,282
Valid N (listwise)	64				

Source : Data Analysis Results 2023

Based on the results of descriptive statistical testing as shown in table 2, it can be concluded that Net Profit has a minimum value of IDR 49.966.984.744 and a maximum value of IDR 990.445.000.000 with an average value of IDR 318.634.698.861,77 and a standard deviation of IDR 251.273.495.509.420. Operating Profit has a minimum value of IDR 52.186.000.000 and a maximum value of IDR 1.392.616.000.000 with an average value of IDR 458.600.533.986,08 and a standard deviation of IDR 340.303.732.734.298. Gross Profit has a minimum value of IDR 268.643.747.079 and a maximum value of IDR 3.422.215.000.000 with an average value of IDR 1.267.393.012.885,12 and a standard deviation of IDR 881.424.559.456.882. Cash flow has a minimum value of IDR 2.681.860.260 and a maximum value of IDR 3.367.867.000.000 with an average value of IDR 554.913.420.219,34 and a standard deviation of IDR 592.976.810.160,282.

4.2. Classical Assumption Test

Normality Test

Table 3 Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
		Unstandardized Residual	
N		64	
Normal Parameters ^{a,b}	Mean	,0000038	
	Std. Deviation	473405448997,48785000	
Most Extreme	Absolute	,110	

Differences	Positive	,110
	Negative	-,080
Test Statistics		,110
Asymp. Sig. (2-tailed)		,052 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source : Processed Secondary Data, 2023

Based on the normality test above, it shows that the results of the Kolmogorov – Smirnov test prove that the significance value (Asymp. Sig. 2-tailed) is greater than 0.05, which is $0.052 > 0.05$, it can be concluded that the residual data are normally distributed.

Multicollinearity Test

Table 4 Multicollinearity Test Results

Type		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X1_ NET PROFIT	,118	8,475
	X2_ OPERATING PROFIT	,104	9,598
	X3_ GROSS PROFIT	,603	1,657

Source : Processed Secondary Data, 2023

The results of the calculation of the multicollinearity test in table 4.5 show that net profit, operating profit, and gross profit have a Tolerance value of > 0.10 and a VIF value of < 10 , can be explained as follows:

a. Net Profit (X1)

In the variable net profit (X1) has a tolerance value of $0.118 > 0.10$ and VIF of $8.475 < 10$ which means there is no multicollinearity.

b. Operating Profit (X2)

The operating profit variable (X2) has a tolerance value of $0.104 > 0.10$ and a VIF of $9.598 < 10$ which means there is no multicollinearity.

c. Gross Profit (X3)

The gross profit variable (X3) has a tolerance value of $0.603 > 0.10$ and a VIF of $1.657 < 10$ which means there is no multicollinearity.

Heterokedasticity Test

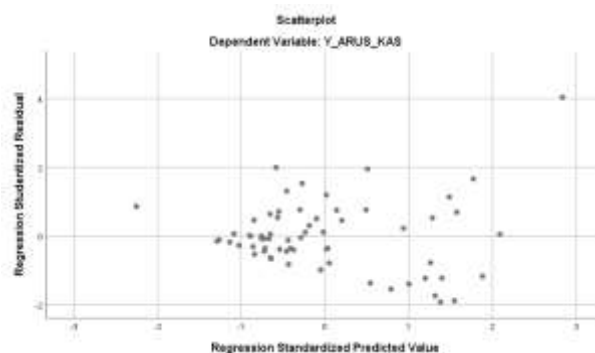


Figure 1 Scatterplot graph of heterokedasticity test

From the scatterplot graph, it can be seen that the data points spread above and below or around the number 0, the points do not gather only above or below, the spread of data points does not form a wavy pattern that widens and then narrows and widens. So it can be concluded by looking at the scatterplot graph that heteroskedasticity does not occur in this regression model.

Autocorrelation Test

Table 5 Autocorrelation Test Results

Runs Test	
	Unstandardized Residual
Test Value ^A	-36197612251,21442
Cases < Test Value	32
Cases ≥ Test Value	32
Total Cases	64
Number of Runs	40
Z	1,764
Asymp. Sig. (2-tailed)	,078
a. Median	

Source : Processed Secondary Data, 2023

Based on table 5, it can be concluded that the results of the autocorrelation test using the runs test obtained the results of the Asymp value. Sig. (2-tailed) of 0.078. So $0.078 > 0.05$ so there are no symptoms of autocorrelation.

4.3 Test The Hypothesis

Multiple Linear Regression Analysis

Table 6 Cash Flow Regression Test Results

Coefficients ^a								
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	206982395287,300	112592770198,949		1,838	,071		
	X1_NET PROFIT	2,940	,708	,1246	4,153	,000	,118	8,475
	X2_OPERATING PROFIT	-1,325	,556	-,760	-2,381	,020	,104	9,598
	X3_GROSS PROFIT	,015	,089	,022	,165	,870	,603	1,657

a. Dependent Variable: Y_CASH FLOW

Source : Processed Secondary Data, 2023

Based on table 6, the equation of multiple linear regression is as follows:

$$Y = 206982395287.300 + 2.940X_1 + -1.325X_2 + 0.015X_3$$

T Test

The T test aims to test each independent variable partially, the T test is carried out to see the value of the influence of each independent variable on the dependent variable. The formula for finding t_{table} is as follows:

$$\begin{aligned}
 T_{table} &= (\alpha/2 : n - k - 1) \\
 &= (0.05 / 2 : 64 - 3 - 1) \\
 &= (0.025 : 60) \\
 &= 2,000
 \end{aligned}$$

Based on table 6 obtained the following results:

a. The Effect of Net Profit on Future Cash Flow

Based on table 6, it can be seen that the Net Profit variable has a $t_{\text{calculated}}$ value of 4.153 > t_{table} 2.000 and a significance value of 0.000 < 0.05 H1a is accepted, which means that partially the net income variable has a positive effect on future cash flows. In this case, it can be concluded that the higher the net profit, the future cash flow will increase, and vice versa, the lower the net profit, the future cash flow will decrease. Net income can accurately predict future cash flows because net income for the current period can provide information on future cash flows and net income that has a high value, the possibility of future profit continuation can also obtain a high value. The results of this study are supported by research conducted by Purwanti (2022,), Robani et al. (2022), , Alamsyah & Askandar (2019,), Juniah & Koeswardhana (2020), and Nursya'adah (2020). However, contrary to research conducted by Sumadi (2021) and Cerniati & Hasan (2019).

b. The Effect of Operating Profit on Future Cash Flows

Based on table 6, it can be seen that the Operating Profit variable has a $t_{\text{calculated}}$ value of -2.381 > t_{table} -2.000 and a significance value of 0.020 < 0.05 H1b is accepted which means that partially the operating profit variable has a negative effect on future cash flows. In this case, it can be concluded that the higher the operating profit, the future cash flow increases, and conversely, the lower the net profit, the future cash flow decreases. Operating profit can affect the cash flow of a company's operating activities and operating profit is assumed to have a relationship with profit creation. If the value of operating profit increases from the previous year, profitable operations will generate cash receipts in excess of the invested amount and will increase cash inflows. So as to produce views on management's success in reacting to changes in business conditions and management's ability to improve opportunities and overcome difficulties that occur. The results of this study are supported by research conducted by Robani et al. (2022),, Alamsyah & Askandar (2019) and Sumadi (2021). However, contrary to research conducted by Cerniati & Hasan (2019) and Purwanti (2022).

c. The Effect of Gross Profit on Future Cash Flow

Based on table 6, it can be seen that the variable Gross Profit has a $t_{\text{calculated}}$ value of 0.165 < t_{table} 2,000 and a significance value of 0.870 > 0.05 H1c is rejected which means that partially the gross profit variable has no effect on future cash flows. In this case, it can be concluded that the higher the gross profit, the lower the future cash flow, and vice versa, the lower the gross profit, the future cash flow increases. In profit calculations, gross profit figures include fewer components of revenue and costs compared to other profits. Therefore, gross profit cannot reflect net cash flow, operating expenses of the company or expenses that directly affect the company's operating activities are not considered in the calculation of gross profit. In addition, 18 companies in the consumer goods industry have a considerable variation in the value of the company's gross profit. This is due to differences in each policy used by companies in assessing or determining the cost of goods sold of a company.

The results of this study are supported by research conducted by Sumadi (2021), Nurlita et al. (2019) and Savitri et al. (2022), . However, contrary to research conducted by Purwanti (2022),, Cerniati & Hasan (2019) and Maharani (2020).

F Test

Test F aims to determine the presence or absence of simultaneous influence (together) given by the independent variable (X) on the dependent variable (Y). The formula to find the F_{table} is as follows:

$$\begin{aligned} F_{\text{table}} &= (k; n - k) \\ &= (3; 64 - 3) \\ &= (3; 61) \\ &= 2.755481 \end{aligned}$$

The results of Test F can be presented in table 7 as follows:

Table 7 F Test Results

ANOVA ^a					
Type	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8033053029583029000000000,000	3	2677684343194343000000000,000	11,379	,000 ^b
Residuals	14119101305852325000000000,000	60	235318355097538730000000,000		
Total	22152154335435354000000000,000	63			
a. Dependent Variable: Y_ARUS_KAS					
b. Predictors: (Constant), X3_LABA_KOTOR, X1_LABA_BERSIH, X2_LABA_OPERASI					

Source : Processed Secondary Data, 2023

Based on the results of the F Test, it is known that the significance value is $0.000 < 0.05$ and the F value is calculated at $11.379 > F_{table} 2.755481$, then the H4 hypothesis is accepted and H0 is rejected. This means that Net Profit, Operating Profit and Gross Profit simultaneously affect future cash flows. This means that the higher the value of net profit, operating profit and gross profit simultaneously, it will increase cash flow, and vice versa, the lower the net profit, operating profit and gross profit simultaneously, it will reduce cash flow in the future.

Test Coefficient of Determination (R^2)

Table 7 Test Results of Coefficient of Determination (R^2)

Model Summary ^b					
Type	R	R Square	Adjusted Square	Std. Error of the Estimate	Durbin-Watson
1	.602 ^a	.363	.331	485096232821,426	2,263
a. Predictors: (Constant), X3_LABA_KOTOR, X1_LABA_BERSIH, X2_LABA_OPERASI					
b. Dependent Variable: Y_ARUS_KAS					

Source : Processed Secondary Data, 2023

Based on table 7 it is known that the value of R^2 is obtained by 0.602 or 60.2%. This means that Net Profit, Operating Profit and Gross Profit have an influence on future cash flow by 60.2% while 39.8% is influenced by other variables that are not studied. The value of profit both net profit, operating profit and gross profit can be used to measure the efficiency of managers in managing the company. Investors and creditors believe that the performance measure that is prioritized in the company's performance appraisal is the company's performance that is able to describe the company's condition in the future based on information on net income, operating profit and gross profit. Information about profit in financial statements gives a good signal to investors in making an economic decision.

V. CONCLUSION

The results showed that net profit and operating profit affect future cash flow predictions, while gross profit does not affect future cash flow predictions in consumer goods industry companies listed on the Indonesia Stock Exchange in 2018 – 2021. The limitation in this study is that the study only used a time span of four years so that the results obtained were less representative, it is recommended to increase the research period to review the effect on future cash flow predictions. Then this study only uses three independent variables, namely net profit, operating profit and gross profit, can be added with variables of changes in receivables, payables and changes in inventory so that better predictors can be obtained. And research is only carried out on consumer goods industry companies so that the samples used are still limited in number.

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