



Effect of Sales Volatility and Operating Cash Flow on Earnings Persistence at PT. Nusantara II Plantation Tanjung Morawa

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ABSTRACT

This study aims to determine the effect of sales volatility and operating cash flow on earnings persistence at PT. Nusantara II Tanjung Morawa Plantation. The type of research used is the associative method. The sample in this study is a monthly report from 2018 to 2021. The source of data used in this study is secondary data. The data collection technique is documentation with the data analysis technique used in this study is multiple linear regression analysis. The results showed that the sales volatility variable had a positive and significant effect on earnings persistence. operating cash flow variable has a positive and significant effect on earnings persistence. The variables of sales volatility and operating cash flow have a simultaneous effect on earnings persistence at PT. Nusantara II Tanjung Morawa Plantation.

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INTRODUCTION

Profit is the part of company information that is most easily found by financial markets. Conceptually, earnings are earned to provide a measurement of changes in shareholder wealth over a period and to what extent the business can cover operating costs and obtain unequal returns for its shareholders. (Subramanyam, 2019).

The company certainly expects high profits and consistently maintains the existence of the company. Not only high profits, profits that show the actual state of the company, but also become every company so that it can be a reference for predicting profits for the coming period. Therefore, earnings information becomes the main focus for internal and external parties of the company, so that there are no errors in decision making, the reported earnings must be of quality earnings.

Quality earnings are earnings that can reflect sustainable income in the future which is determined by cash flow and cash flow. Earnings quality refers to the relevance of earnings in measuring company performance. (Subramanyam, 2019:123). According to Fanani (2010), earnings persistence can simply be interpreted as the possibility that a company's profit level will repeat itself in the future. In other words, persistent profit is an expected and important profit for the company.

Therefore, the higher level of earnings persistence will reflect the company's performance in the future period.

The first factor that is thought to influence earnings persistence is sales volatility. According to Khasanah and Jasman (2019), volatility is the cause of fluctuations in the operating environment and a large trend in forecasts and estimates, large estimation errors causing low earnings persistence. The second factor that is thought to influence earnings persistence is operating cash flow. According to Sarah, et al, (2019), operating cash flow is a collection of cash flows whose sources come from the company's main activities in the form of cash from the sale of goods or services and receipts of receivables.

Persistent or stable profit in each period is definitely desired by all companies, as well as PT. Nusantara II Plantation (PTPN II) Tanjung Morawa. PTPN II is engaged in plantations, which is located at Jl. Raya Medan KM 16, Kec. Tanjung Morawa, Deli Serdang Regency, North Sumatra Province. In 2019 the company experienced a significant decline in sales and profits compared to the previous year. This is due to the impact of the trade war between the United States and China that occurred and affected the decline in crude oil prices from the 2018 average of Rp. 7.352/kg to Rp. 6.691/kg. Because most of the company's profits are influenced by the sale of palm oil.

The rise and fall of a company's profits with a significant level of change causes the persistence of earnings to be questioned (Fachrurrozie and Kasiono. 2016). Fluctuations in the persistence of unstable earnings indicate poor earnings quality, which makes investors hesitant to invest in the company. For this reason, companies need to improve the quality of earnings from year to year. Therefore, the researcher will conduct a study with the title: "The Effect of Sales Volatility and Operating Cash Flow on Earning Persistence at PT. Nusantara II Tanjung Morawa Plantation".

RESEARCH METHOD

This type of research is associative research. According to Sugiyono (2019:65), associative research aims to determine the relationship between two or more variables. Then the relationship between variables in the study was measured using relevant statistics to test the hypothesis. The population in this study were all financial statements of PT. Perkebunan Nusantara II Tanjung Morawa since its establishment in 1996 until now. According to Sugiyono (2019:126), the population is a generalization area consisting of: objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions. The sample used by researchers in the form of financial statements belonging to PT. Perkebunan Nusantara II Tanjung Morawa for the period 2018 to 2021 in monthly financial reports.

The type of data used in this research is quantitative. According to Sugiyono (2019:16), this type of quantitative data is used to examine a population or sample with the aim of testing the established hypothesis. Sources of research data using secondary data sources. In this study, the data collection technique used is the documentation technique. According to Sugiyono (2019: 314), documentation is a record of events that have passed. The data analysis technique in this study used descriptive statistical tests, multiple linear regression tests and hypothesis testing using the IBM SPSS 21 statistical program.

RESULTS AND DISCUSSIONS

Descriptive Statistics Test

Based on the company data sample, it can be seen the results of descriptive statistical analysis in the form of the average value (mean), minimum value, maximum value, and standard deviation of the sales volatility variable, operating cash flow and earnings persistence variable which can be seen in the following table:

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation
		Statistic	Statistic	Statistic	Statistic	Std. Error
Volatilitas Penjualan	48	.005051	.023221	.01448994	.000799453	.005538772
Arus Kas Operasi	48	22.086647	27.435409	24.98041028	.200867124	1.391648260
Persistensi Laba	48	-.115510	.069572	.00003287	.003751529	.025991355
Valid (listwise)	N 48					

Based on Table 1 above, it can be explained as follows:

- Sales Volatility Variable (X1) has a maximum value of 0.0232, a minimum value of 0.0050 with an average value of 0.0145 and a standard deviation of 0.0055 with a total sample of 48 samples.
- Operating Cash Flow Variable (X2) has a maximum value of 27.435, a minimum value of 22,086 with an average value of 24,980 and a standard deviation of 1.3916 with a sample size of 48 samples.
- The earnings persistence variable (Y) has a maximum value of 0.695, a minimum value of -0.115 with an average value of 0.003 and a standard deviation value of 0.259 with a total sample of 48 samples.

Multiple Linear Regression Test

The regression equation can be seen from the coefficient test table. The following are the results of multiple linear regression which can be seen in the following table:

Table 2. Multiple Linear Regression Test Results

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.168	.041		4.102	.000
Volatilitas Penjualan	.990	.390	.322	2.537	.015
Arus Kas Operasi	.006	.002	.493	3.878	.000

a. Dependent Variable: Persistensi Laba

Based on Table 2 above, the multiple linear regression equations in this study are as follows:

$$Y = 0,168 + 0,990 (X1) + 0,006 (X2) + e$$

Based on the multiple linear regression equation above, the following conclusions can be drawn:

- The constant value obtained is 0.168, this explains if the sales volatility variable (X1) and operating cash flow (X2) is 0, then the Earning Persistence value is 0.168.
- Sales volatility variable (X1) obtained a positive coefficient value of 0.990 which indicates that sales volatility has increased by 1%, so earnings persistence (Y) will increase by 99%.
- Operating cash flow variable (X2) obtained a positive coefficient value of 0.511 which indicates that if operating cash flow increases by 1%, earnings persistence (Y) will increase by 6%.

Hypotesis Test

a. T test

Hypothesis testing can be done by comparing the calculated t value with the t table value with a significance level of 5% (= 0.05). The formula for finding ttable is to determine the value of degree of freedom (df) = n - k, where n is the number of data and k is the number of variables.

Table 3. T test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	.168	.041		4.102	.000	
Volatilitas Penjualan	.990	.390	.322	2.537	.015	
Arus Kas Operasi	.006	.002		.493	3.878	.000

a. Dependent Variable: Persistensi Laba

Based on Table 3 above, it can be seen the regression equation as well as the sales volatility coefficient and operating cash flow. The partial regression model can be interpreted as follows:

- a) Sales volatility regression coefficient is 2.537. Therefore, the results of the statistical test $t_{count} > t_{table}$ are $2,551 > 2,016$, then H1 is accepted with a significance value of $0.015 < 0.05$. This means that the variable sales volatility has a positive and significant effect on earnings persistence.
- b) The regression coefficient of compensation suitability is 3.878. Therefore, the results of the statistical test $t_{count} > t_{table}$ are $3.878 > 2.016$, so the hypothesis H2 is accepted with a significance value of $0.000 < 0.05$. This means that the operating cash flow variable has a positive and significant effect on earnings persistence.

b. F test

The F test was conducted to test the significance of the effect of variable X on variable Y simultaneously. The results of the simultaneous test (F test) are as follows:

Table 4. F test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.004	2	.002	9.796	.000 ^b
	Residual	.009	43	.000		
	Total	.014	45			

a. Dependent Variable: Earning Persistence

b. Predictors: (Constant), Sales Volatility, Operating Cash Flow

Based on Table 4 of the simultaneous test above, the results of the statistical calculation F_{count} are 9.796, while F_{table} is 3.214, thus $F_{count} (9.796) > F_{table} (3.214)$ with sig. F of 0.000, then all independent variables have a simultaneous effect on the dependent variable, so it can be concluded that the hypothesis (H3) is accepted, meaning that sales volatility and operating cash flow simultaneously affect earnings persistence at PT. Nusantara II Tanjung Morawa Plantation.

Discussion

a. Effect of Sales Volatility on Earning Persistence

This test shows that H0 is rejected and H1 is accepted so that it can be concluded that the variable X1 or Sales Volatility has a positive and significant effect on earnings persistence at PT. Nusantara II Tanjung Morawa Plantation. These results indicate that the positive effect of sales volatility on earnings persistence is due to the fact that a high level of sales can increase the company's profits. Changes in the value of sales each period are high, making the value of Earning Persistence increase. Based on the calculation of sales volatility, it shows that sales fluctuations are quite stable and do not interfere with the sustainability of profits and the persistence of profits continues to increase. These results are in line with previous studies conducted by Nadya and Zultilisna (2018), and Khasanah and Jasman (2019) that sales volatility has a positive and significant effect on earnings persistence.

b. Effect of Operating Cash Flow on Earning Persistence

This test shows that H0 is rejected and H2 is accepted so that it can be concluded that the variable X2 (Operating Cash Flow) has a positive and significant effect on the Earning Persistence

variable at PT. Nusantara II Tanjung Morawa Plantation. These results indicate that the higher the amount of cash, the higher the operating cash flow. The higher the company's operating cash flow, the greater the persistence of earnings. The existence of a sufficient amount of cash flow, the company does not need to rely on outside financing (eg issuance of shares or debt to external parties) meaning that the funds invested by investors are managed by the company effectively and efficiently so that the company's operating cash flow information can be used as a checking tool for information. profit and as a measure of company performance. The higher the value of cash flow in the company, the quality of earnings or earnings persistence will increase and vice versa. This study is directly proportional to the research conducted by previous researchers, namely Sarah et al. (2019) and Indriani and Heinrych (2020) that operating cash flow has a positive effect on earnings persistence.

c. Effect of Sales Volatility and Operating Cash Flow on Earning Persistence

Based on the results of the simultaneous test (Test F) it can be seen that Sales Volatility and Operating Cash Flow have a simultaneous (simultaneous) effect on Earning Persistence. The influence of these two independent variables means that the higher or lower the persistence of earnings at PT. Perkebunan Nusantara II Tanjung Morawa is affected by sales volatility and operating cash flows. The profit generated from internal sales can be sufficient for the company's operating cash to pay its obligations without having to get a loan from outside. The results of this study are in line with Saat's research (2020) that sales volatility and operating cash flow have a simultaneous effect on earnings persistence.

CONCLUSION

Based on the data obtained and the measurement results of the data in this study, it can be concluded that sales volatility has a positive and significant effect on earnings persistence at PT. Nusantara II Tanjung Morawa Plantation. Operating cash flow has a positive and significant effect on earnings persistence at PT. Nusantara II Tanjung Morawa Plantation. Sales volatility and operating cash flow simultaneously affect earnings persistence at PT. Nusantara II Tanjung Morawa Plantation.

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