Forecasting Future Cash Flows: The Moderating Role of Accounting Conservatism in Predictive Models

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ABSTRACT

This study aims to examine the extent to which operating cash flows, net income, and sales influence future cash flows, and whether accounting conservatism moderates these relationships. The research sample comprises companies listed in the Kompas100 index of the Indonesia Stock Exchange during the period 2015–2020. Employing a purposive sampling method, the study collected 320 firm-year observations from published financial statements. To assess the predictive ability of operating cash flows, net income, and revenue on future cash flows, multiple linear regression models were employed with accounting conservatism included as a moderating variable. The empirical results indicate that both operating cash flows and net income have a positive and statistically significant effect on future cash flows. Conversely, revenue does not exhibit a significant influence on future cash flows. Moreover, the findings suggest that accounting conservatism attenuates the relationship between operating cash flows, net income, and revenue with future cash flows, thereby underscoring its role in tempering managerial optimism in financial reporting.

Keywords: Cash Flow; Net Income; Revenue; Accounting Conservatism; Financial Statements

Model Prediksi Arus Kas Masa Depan dengan Konservatisme Akuntansi sebagai Pemoderasi

ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui apakah arus kas operasional, laba bersih, dan penjualan berdampak pada arus kas masa depan dan, jika demikian, bagaimana konservatisme akuntansi memoderasi dampak tersebut. Perusahaan yang termasuk dalam sampel penelitian adalah perusahaan yang terdaftar pada indeks Kompas100 Bursa Efek Indonesia antara tahun 2015 dan 2020. Dengan menggunakan strategi purposive sampling, 320 laporan keuangan perusahaan dikumpulkan untuk sampel. Dengan menggunakan konservatisme akuntansi sebagai variabel moderasi, penelitian ini menggunakan beberapa model regresi linier untuk menguji daya prediksi arus kas operasional, laba bersih, dan penjualan dalam kaitannya dengan arus kas masa depan. Arus kas masa depan dipengaruhi secara positif dan signifikan oleh arus kas operasional dan laba bersih, menurut temuan pengujian. Lebih lanjut, hasil penelitian ini menunjukkan bahwa pendapatan tidak memengaruhi arus kas masa depan. Dalam hal peramalan arus kas masa depan, penelitian ini menemukan bahwa konservatisme akuntansi melemahkan korelasi antara arus kas operasional, laba bersih, dan penjualan.

Kata Kunci: Arus Kas; Laba Bersih; Pendapatan; Konservatisme Akuntansi; Laporan Keuangan

e-ISSN 2302-8556

Vol. 34 No. 12
Denpasar, December 2024
Hal. 3164-3179

DOI:
10.24843/EJA.2024.v34.i12.p10

PENGUTIPAN:
Burrohman, M., Helmi, S. M., & Hernawan. (2024). Forecasting Future Cash Flow: The Moderating Role of Accounting Conservatism in Predictive Models . *E-Jurnal Akuntansi*, 34(12), 3164-3179

RIWAYAT ARTIKEL:
Artikel Masuk:
03 November 2024
Artikel Diterima:
01 Desember 2024

INTRODUCTION

Creditors and investors make lending and investment decisions primarily based on a firm's financial performance. Investors tend to favor companies that demonstrate financial stability. However, financial reporting outcomes are subject to considerable managerial discretion, leading to potential variability in reported results. To attract investment and gain stakeholder trust, management must present credible and robust financial statements. As stipulated in Paragraph 09 of the Indonesian Financial Accounting Standards (PSAK) No. 1 (2020), financial statements serve to inform users about a company's financial position, performance, and changes in financial condition to facilitate informed economic decisions. Kartikahadi et al. (2020) further explain that financial statements are designed to accommodate the information needs of diverse stakeholders, including creditors, investors, business partners, employees, government bodies, and the general public. However, because these interests are not always aligned and may even conflict, financial statements must be presented with neutrality, transparency, and objectivity.

A historical example that illustrates the risk of misleading financial performance is the W.T. Grant bankruptcy case in the United States during the 1980s. Although the company initially reported strong profitability, steady income growth, and regular dividend payments—prompting increased investor confidence—it ultimately filed for bankruptcy. A key factor was its sustained negative operating cash flows, which were masked by rising net income figures. The failure to collect receivables from sales led to cash shortfalls, exposing the divergence between accrual-based earnings and actual cash flows. More recently, several large Indonesian firms experienced similar financial distress due to declining operational cash flows during the COVID-19 pandemic. PT Waskita Karya Tbk, for example, reported a sharp drop in operational cash flows—from IDR 9 trillion in 2019 to only IDR 411 billion in 2020—accompanied by a net loss of IDR 7.38 trillion, largely driven by a 48.42% decline in revenue (CNBC Indonesia, 2021). Similarly, PT Kereta Api Indonesia (Persero) posted negative operating cash flow of IDR -626.34 billion in 2020, compared to IDR 3.524 trillion in the prior year, along with a net loss of IDR 1.69 trillion due to reduced revenue (detikFinance, 2021). Such financial signals raise serious concerns about business sustainability from an investor's perspective.

In accordance with PSAK No. 1 (2020), the cash flow statement is an essential component of a complete set of financial reports. Often referred to informally as the "Where Got, Where Gone Statement," the cash flow report offers crucial insights for stakeholders. PSAK No. 2 (2020b), paragraph 19, emphasizes its utility in forecasting future cash flows—particularly when the direct method is used for reporting operating cash flows. For external users, the ability to estimate cash flows is fundamental to managing financial risks. According to Barth et al. in Mulenga et al. (2017), financial statement users assess a firm's liquidity, flexibility, and risk exposure based on projected cash flows. Net income also plays a role in such forecasting. As noted by Kieso et al. (2016), the income statement provides a periodic measure of a firm's operational success and can be used to evaluate profitability, investment potential, and managerial credibility. For creditors and

investors, both the magnitude and timing of future cash flows are critical—attributes that financial performance metrics seek to approximate.

Given this context, an important question emerges: which metric—net income or cash flow—provides a better basis for predicting future cash flows? This debate remains unresolved, and empirical studies offer mixed conclusions. Research by Ebaid (2011), Jemaa et al. (2015), Moeinadin (2012), and Pengestu (2020) suggests that net income has stronger predictive power. Conversely, Supriyadi (1999), Finger (1994), Andayani (2015), and Senan (2019) argue that cash flows are more reliable indicators. The inconsistency in findings prompts further examination across different time periods and economic conditions to re-evaluate the predictive capacity of these variables.

Beyond net income and cash flows, this study also incorporates revenue—a core accrual component that is less frequently analyzed in the context of future cash flow forecasting, as highlighted by Jordan (2007). The novelty of this study is further enhanced by the inclusion of a moderating variable: accounting conservatism. As defined by Basu (1997), accounting conservatism is characterized by the asymmetric recognition of economic events, where losses are recognized more promptly than gains. This practice may influence managerial decisions in financial reporting, as it encourages timely expense recognition, delays revenue recognition, undervalues assets, and overstates liabilities. Such cautious reporting practices affect the quality and reliability of earnings information. Narita and Taqwa (2020) argue that conservatism enhances the representational faithfulness of income statements by anchoring revenue and expense recognition more closely to actual events.

The role of operating cash flow in assessing a company's ability to sustain operations, settle obligations, fund investments, and service debt is well documented. Kartikahadi et al. (2020) emphasize the importance of operational cash flows as a core performance metric. Supporting this, Senan (2019) found that in Saudi Arabian firms, operating cash flows had a stronger impact on future cash flow predictions than net income. Similarly, Andayani (2015), Finger (1994), Handayani (2007), and Supriyadi (1999) provide empirical evidence affirming the significance of cash flows in forecasting. Based on these findings, this study proposes the following hypothesis:

H_1**:** Operating cash flows have a positive effect on future cash flows.

The importance of net income as a predictive variable is also widely acknowledged. Kartikahadi et al. (2019) note that a firm's ability to generate net income is as critical as its capacity to produce cash. Net income figures, presented in the income statement, remain central to evaluating profitability, firm value, and credibility (Kieso et al., 2016). Jemaa (2015) found net income to be more effective in forecasting future cash flows over extended time horizons. Pangestu (2020) further notes that net income can affect future cash flows independently of cash flow components. Empirical findings by Ebaid (2011) and Lumbantoruan (2018) also support the view that net income is a strong predictor of future cash flows, often surpassing revenue in explanatory power. Accordingly, the second hypothesis is formulated as follows:

H_2: Net income has a positive effect on future cash flows.

Revenue is a critical component in evaluating a firm's financial performance, as emphasized by Kieso et al. (2016). Kartikahadi et al. (2019) define revenue as income generated from a firm's ordinary activities, such as sales, service income, interest, dividends, royalties, and rental income. In the context of regulated markets, Abogun et al. (2021) investigated the role of income smoothing on firm value. Their findings indicate that earnings smoothing can reduce volatility in reported financial outcomes and strengthen investor confidence, thereby reinforcing the association between reported earnings and future cash flows. These findings support the view that income, under certain reporting conditions, positively influences future cash flow predictions through effective information management.

Similarly, Zhong et al. (2021) demonstrated that revenue recognition methods significantly affect the ability of revenue to predict future outcomes. Aggressive revenue recognition may inflate current-period income without corresponding future cash inflows if the underlying sales are unsustainable or artificially induced. Cheng and Li (2014) also explored the broader relationship between current earnings and future performance, including profitability and cash flow potential. Their study suggests that income smoothing may obscure the true relationship between reported income and future cash-generating capacity. Drawing from these empirical findings, the third hypothesis of this study is formulated as follows:

H_3: Revenue has a negative effect on future cash flows.

Accounting conservatism, as defined by Basu (1997), entails a deliberate asymmetry in financial reporting wherein losses are recognized more promptly than gains. This principle influences financial reporting by delaying revenue recognition, accelerating expense recognition, undervaluing assets, and overvaluing liabilities. Such conservative practices reduce cumulative reported profits, thereby influencing the information quality conveyed to financial statement users. Kimouche and Charchafa (2024) found that the use of non-operating accruals—often employed in income smoothing—increased by 23% under conservative regimes, introducing temporal distortions that diminish the accuracy of reported operating cash flows. Simanjuntak et al. (2024), in their study of Indonesian manufacturing firms, found that conservatism reduced the discrepancy between accounting earnings and realized cash flows by up to 15%, thus diminishing the predictive value of operating cash flows.

Krismiaji and Sururi (2021) examined the role of accounting conservatism as a moderating variable in the relationship between current and future cash flows. Their findings suggest that while conservative practices can enhance the credibility of prior-period information, they may also interfere with the clarity and accuracy of predictive models. The cumulative results of these empirical investigations support the following hypothesis:

H_4: Accounting conservatism weakens the effect of operating cash flows on future cash flows.

The conservative reporting approach also has implications for the usefulness of net income in forecasting. As noted by Andreas et al. (2017), fluctuations in reported income due to conservative practices can undermine its predictive utility. Patatoukas and Thomas (2011) argue that the level of conditional

conservatism often does not provide value-relevant information to investors. Conversely, Barth et al. (2020) contend that heightened conservatism prolongs the resolution of investor disagreements and introduces uncertainty during earnings announcements, thereby diminishing the valuation role of earnings.

Krismiaji and Sururi (2021) further assessed the interaction between net income and accounting conservatism in predicting future cash flows. Their findings suggest that conservatism may interfere with the predictive strength of net income by filtering out potentially informative income signals. Based on these insights, the fifth hypothesis of this study is articulated as:

H_5: Accounting conservatism weakens the effect of net income on future cash flows.

In addition to net income, the recognition of revenue is also affected by conservative accounting principles. As conservatism requires revenue to be recognized only when it is reasonably certain, it may reduce the relevance of revenue in forecasting future cash flows (Chen et al., 2018). Lara et al. (2016) assert that while conservative practices enhance the reliability of reported income by reducing overstatement risk, they can also obscure signals relevant for future performance prediction. Handayani (2007) examined the moderating effect of accounting conservatism on the relationship between income and future cash flow, noting that conservatism alters the information dynamics of both income and cash flow components. However, to date, limited empirical research has focused specifically on the moderating effect of conservatism on revenue's predictive power. Building on these insights, the final hypothesis of this study is proposed as follows:

H_6: Accounting conservatism weakens the effect of revenue on future cash flows.

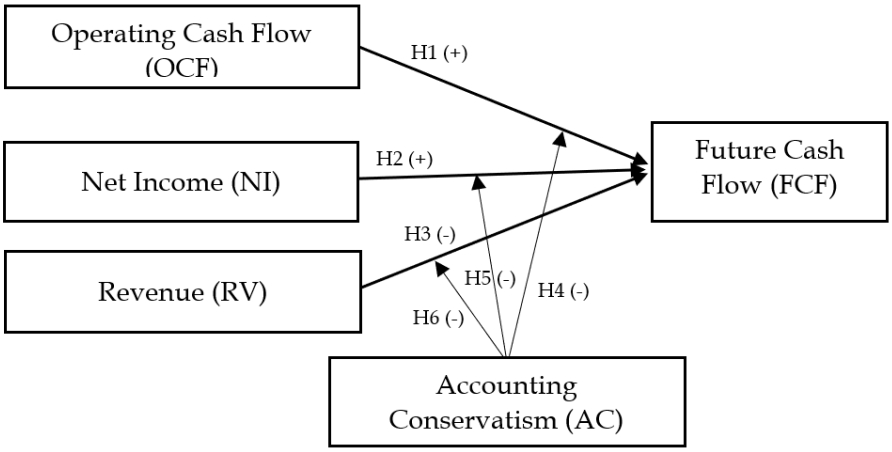


Figure 1. Research Design

Source: Research Data, 2024

RESEARCH METHOD

This study was conducted using secondary data obtained from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id. The research focuses on firms listed in the Kompas100 index over the 2015–2020 period. The Kompas100 index represents a selection of companies with high liquidity and sound financial performance, making it a suitable benchmark for evaluating the relationship

between financial variables and future cash flows. The purposive sampling technique was employed to determine the study sample based on specific criteria aligned with the research objectives.

Table 1 Research Variable Definition

Variable	Definition	Measurement	Source
Operating Cash Flows	In the context of the study, "operating cash flow" is defined as the cash flow derived from operating activities, as specified in the company's cash flow statement.	OCF = Operating Cash Flows$_t$	Ebaid (2011)
Net Income	The net income utilized in this study is defined as net income before extraordinary items and discontinued operations.	NI = Net Income$_t$	Ebaid (2011)
Revenue	The revenue utilized in this study is the operating income item listed on the company's profit and loss statement.	RV = Revenue$_t$	Jordan et al. (2007)
Future Cash Flows	The measurement of future cash flows is derived from cash flows from operating activities at the conclusion of the year subsequent to the observation period (t+1).	FCF = Operating Cash Flows$_{t+1}$	Ebaid (2011)
Accounting Conservatism	Accounting conservatism, serving as a moderating variable, is measured using the accounting conservatism instrumental variable developed by Givoly and Hayn (2000). If negative accruals are obtained, then the net income is classified as conservative, reason being, during that particular time, the company's cash flows were lower than its net income.	$\mathrm{AC} = \frac{\mathrm{NI}_t - OCF_t}{\mathrm{TA}_t}$	Givoly & Hayn (2000)

Source: Research Data, 2024

Description:

AC : Accounting conservatism of company i in period t

NI_t : Net income before extraordinary items less depreciation/amortization

OCF_t : Cash flow from operating activities in period t

TA_t : Total assets of company in period t

The study population comprises all companies included in the Kompas100 index and listed on the Indonesia Stock Exchange during the 2015–2019 period, totaling 100 firms. From this population, a sample of 66 companies was selected based on the following criteria: (a) the company must be listed on the IDX and must have published complete financial reports for each year during the 2015–2019 observation period; (b) the company must be consistently included in the Kompas100 index from February 2016 to February 2020; (c) the company must use December 31 as the end of its financial reporting period; (d) the company must report its financial statements in Indonesian Rupiah, which is the company's functional currency; and (e) the company must not report negative net income during the observation period, thereby excluding firms with continuous financial distress.

Multiple Regression is the analytical technique used in this study. The investigation resulted in the following model of mathematical equations:

Model 1: $FCF_{i,\,t+1} = \alpha + \beta_1 OCF_{i,\,t} + \beta_2 NI_{i,\,t} + \beta_3 RV_{i,\,t} + e$ ..... (1)

Model 2: $FCF_{i,\,t+1} = \alpha + \beta_1 OCF_{i,\,t} + \beta_2 NI_{i,\,t} + \beta_3 RV_{i,\,t} + \beta_4 OCF_{i,\,t}*AC_{i,\,t} + \beta_5 NI_{i,\,t}*AC_{i,\,t} + B_6 RV_{i,\,t}*AC_{i,\,t} + e$ ..... (2)

Where:

$FCF_{i,\,t+1}$: Cash flow from operating activities in period t+1
$OCF_{i,\,t}$: Cash flow from operating activities in period t
$NI_{i,\,t}$: Net income for period t
$RV_{i,\,t}$: Revenue for period t
$AC_{i,\,t}$: Instrumental variable for accounting conservatism in period t
α : Constant
$\beta_{1,\,2,\,3,\,4,\,5,\,6}$: Coefficients of independent variables
e : Error

RESULTS AND DISCUSSION

Descriptive Statistics Results

Revenue, net income, cash flow, accounting conservatism, and future cash flows were some of the factors that were tested using descriptive statistics in this research. The results may be seen in Table 2.

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
OCF	320	1.198	4.502	3.939	0.335
NI	320	1.737	4.125	3.569	0.268
RV	320	1.111	5.479	5.328	0.327
FCF	320	1.211	4.162	3.485	0.400
AC	320	3.386	5.0500	4.073	0.169
OCF*AC	320	8.820	16.836	13.982	1.475
NI*AC	320	10.134	17.170	12.874	1.215
RV*AC	320	10.590	21.656	17.616	1.722

Source: Research Data, 2024

Based on the data presented in Table 3, the descriptive statistics derived from 320 observations reveal notable characteristics of the study's key variables. Among the primary variables, Operating Cash Flow (OCF) recorded the highest mean value (3.939) with a relatively low standard deviation (0.335), indicating

consistency in measurement and low dispersion. Net Income (NI) demonstrated a more concentrated distribution, as reflected by a standard deviation of 0.268. Revenue (RV) reported the highest maximum value (5.479), with a significant clustering near the upper bound, evidenced by a high mean (5.328), suggesting limited variability in reported revenue levels.

Future Cash Flow (FCF) showed the highest variability among the main variables, with a standard deviation of 0.400, reflecting a more dynamic pattern across observations. The Accounting Conservatism (AC) variable displayed low variability (SD 0.169) and a narrow range (3.386–5.050), indicating consistency in the application of conservative accounting policies among sampled firms.

Regarding the interaction terms used to test moderating effects (OCFAC, NIAC, and RVAC), RVAC exhibited the greatest variation, with a standard deviation of 1.722 and the broadest range (10.590–21.656). Importantly, all variables reported minimum values above 1, supporting the appropriateness of logarithmic transformation. The relatively low dispersion of core variables (SD < 0.5) indicates sample homogeneity, whereas the wider ranges observed in the interaction terms suggest the potential for meaningful moderating effects in subsequent regression models. These preliminary characteristics fulfill the assumptions required for moderation regression analysis.

Prior to hypothesis testing, the classical assumptions underlying regression analysis were evaluated. Normality testing was conducted using the one-sample Kolmogorov-Smirnov test via SPSS version 26. The results revealed that the residuals of equations 1 and 2 followed a normal distribution, with Monte Carlo Sig. (2-tailed) values of 0.128 and 0.830, respectively—both exceeding the threshold of 0.05.

Multicollinearity was assessed by examining tolerance and Variance Inflation Factor (VIF) values. All variables demonstrated tolerance values above 0.10 and VIF values below 10, indicating the absence of multicollinearity in both equations. These findings confirm that the independent variables are sufficiently independent of one another to ensure reliable coefficient estimation.

Autocorrelation was also tested to determine whether error terms across time were correlated. A robust model should exhibit no autocorrelation, ensuring that residuals are independently distributed. The results confirmed that autocorrelation was not present, satisfying another key assumption of the regression model.

The t-test was employed to evaluate the individual effect of each independent variable on the dependent variable at a 5% significance level. With a total of 320 observations, the critical t-value (t-table) used as a benchmark was 2.2519. The detailed results for hypothesis testing, specifically for equation 1, are presented in Table 3.

Table 3 Results of the t-Test for Equation 1

Variabel		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.095	0.407		7.601	0.000
	OCF	-0.194	0.078	-0.163	-2.478	0.014
	NI	0.378	0.095	0.254	3.975	0.000
	RV	-0.036	0.074	-0.030	-0.493	0.623

Source: Research Data, 2024

The following equation for multiple linear regression may be derived from Table 3:

FCF = 3,095 - 0,194OCF + 0,387NI - 0,036RV+*e*

Equation 1's t-test findings and the previous equation provide light on the following:

The results of the t-test, as presented in Table 3, highlight the varying degrees of influence exerted by the independent variables on the regression model. The constant term (B = 3.095; p = 0.000) is statistically significant at the 1% level, indicating that when all independent variables are held at zero, the baseline value of the dependent variable is 3.095.

Operating Cash Flow (OCF) exhibits a statistically significant negative effect on the dependent variable, with a non-standardized coefficient of B = -0.194 (p = 0.014). This implies that a one-unit increase in OCF is associated with a 0.194-unit decline in future cash flows. The standardized coefficient (Beta = -0.163) supports this finding, although the effect size is modest. This negative association warrants further investigation, particularly in the context of overinvestment behavior or the potential volatility of operating cash flows, which may distort the expected positive predictive relationship.

In contrast, Net Income (NI) demonstrates a positive and highly significant relationship with future cash flows. The regression coefficient of B = 0.378 ($p < 0.001$) suggests that a one-unit increase in NI leads to a 0.378-unit increase in the dependent variable. The standardized coefficient (Beta = 0.254) confirms NI as the strongest predictor among the three explanatory variables. This finding aligns with accrual theory, which posits that earnings provide a more comprehensive measure of firm performance by incorporating future benefits and obligations.

Revenue (RV), however, was found to be statistically insignificant (B = -0.036; p = 0.623), indicating no meaningful contribution to the prediction of future cash flows within the current model specification. The lack of statistical significance ($p > 0.05$) may suggest measurement issues related to revenue recognition, or the influence of omitted mediating or moderating variables that attenuate the expected relationship. A re-examination of the revenue construct or model specification may be necessary to address this finding.

The subsequent section presents the t-test results for equation 2, as summarized in Table 4.

Table 4 Results of the t-Test for Equation 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.541	0.355		1.523	0.129
	OCF	-0.218	0.049	-0.182	-4.404	0.000
	NI	-0.059	0.058	-0.040	-1.023	0.307
	RV	-0.115	0.042	-0.094	-2.717	0.007
	AC	0.077	0.049	0.054	1.580	0.115
	OCF*AC	0.143	0.014	0.528	10.117	0.018
	NI*AC	0.102	0.015	0.311	6.784	0.002
	RV*AC	0.056	0.008	0.243	7.275	0.000

Source: Research Data, 2024

The following equation for multiple linear regression may be derived from Table 4:

FCF=0,541-0,218OCF-0,059NI-0,115RV+0,077AC+0,026OCF*AC+0,028NI*AC +0,149RV*AC +e

The results of Equation 2 and its corresponding t-test statistics underscore the importance of interaction effects in shaping the relationship between explanatory variables and future cash flows. The constant term (B = 0.541; p = 0.129) is not statistically significant, suggesting that when all independent variables are equal to zero, the baseline value of the dependent variable does not differ significantly from zero.

Operating Cash Flow (OCF), as a standalone variable, retains a statistically significant negative effect (B = -0.218; p < 0.001), consistent with the results of Equation 1. However, when interacted with Accounting Conservatism (OCF × AC), the direction of the effect reverses to positive and becomes statistically significant (B = 0.143; p = 0.018). The standardized coefficient for this interaction term (Beta = 0.528) indicates that accounting conservatism substantially moderates the relationship by reversing the adverse impact of OCF and enhancing its predictive contribution to future cash flows.

Net Income (NI), when considered independently, is not statistically significant in this equation (B = -0.059; p = 0.307). Nevertheless, its interaction with Accounting Conservatism (NI × AC) reveals a significant and positive effect (B = 0.102; p = 0.002), with a corresponding standardized coefficient (Beta = 0.311), suggesting that conservative accounting practices strengthen the relevance of net income in forecasting future cash flows.

Revenue (RV) independently exhibits a significant negative association with future cash flows (B = -0.115; p = 0.007), reinforcing the findings in Equation 1. However, the interaction between Revenue and Accounting Conservatism (RV × AC) produces a highly significant and positive effect (B = 0.056; p < 0.001), indicating that conservatism mitigates the negative effect of revenue and enhances its informational value. These findings collectively affirm the moderating role of accounting conservatism in improving the explanatory power of financial performance variables on future cash flow projections.

The decision rule for the F-test is based on a significance threshold of 0.05. If the significance value is less than 0.05, the null hypothesis (H_0) is rejected and

the alternative hypothesis (H_1) is accepted, indicating that the independent variables collectively exert a statistically significant influence on the dependent variable. Conversely, if the significance value exceeds 0.05, H_0 is accepted and H_1 is rejected, suggesting that the independent variables, in combination, do not significantly affect the dependent variable.

The F-test results for Equation 1 are presented in Table 5 below.

Table 5 Results of the F-Test for Equation 1

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.560	3	.853	5.548	.001[b]
	Residual	48.603	316	.154		
	Total	51.163	319			

Source: Research Data, 2024

Given that the significance value is 0.001—well below the alpha threshold of 0.05—it can be concluded that Revenue (RV), Operating Cash Flow (OCF), and Net Income (NI) collectively exert a statistically significant influence on Future Cash Flow (FCF). These results indicate that Equation 1 is a robust model for predicting future cash flows based on these key financial performance indicators.

The F-test results for Equation 2 are presented in Table 6 below.

Table 6 Results of the F-Test for Equation 2

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.437	7	5.205	110.399	0.000[b]
	Residual	14.711	312	0.047		
	Total	51.148	319			

Source: Research Data, 2024

In Equation 2, the significance value is 0.000, which is well below the conventional alpha level of 0.05. This result confirms that Operating Cash Flow (OCF), Net Income (NI), Revenue (RV), along with their respective interaction terms with Accounting Conservatism—OCF × AC (OCFAC), NI × AC (NIAC), and RV × AC (RVAC)—collectively have a statistically significant effect on Future Cash Flow (FCF). These findings support the conclusion that Equation 2 is a valid and comprehensive model for predicting future cash flows, as it incorporates both direct financial performance indicators and their interaction with accounting conservatism as a moderating variable.

To assess the proportion of variance in the dependent variable explained by the independent variables, the Coefficient of Determination (R^2) test was conducted for Equation 1. This analysis evaluates the explanatory power of Operating Cash Flow (OCF), Net Income (NI), and Revenue (RV) with respect to Future Cash Flow (FCF). The results of this test are presented below.

Table 7 Results of the Coefficient of Determination Test for Equation 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.224[a]	0.050	0.041	0.392	2.013

Source: Research Data, 2024

As presented in Table 7 for Equation 1, the Coefficient of Determination (Adjusted R^2) is 0.041, indicating that Operating Cash Flow (OCF), Net Income (NI), and Revenue (RV) collectively explain 4.1% of the variance in Future Cash

Flow (FCF). This suggests that while the model captures a statistically significant relationship, the majority of the variation in FCF—approximately 95.9%—is attributable to other factors not included in the model.

The results of the Coefficient of Determination test for Equation 2 are presented in Table 8 below.

Table 8 Results of the Coefficient of Determination Test for Equation 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.844[a]	0.712	0.706	0.217	1.814

Source: Research Data, 2024

Based on the results presented in Equation 2, the Coefficient of Determination (R^2) is 0.706, indicating that Operating Cash Flow (OCF), Net Income (NI), Revenue (RV), along with their respective interaction terms with Accounting Conservatism (OCFAC, NIAC, and RVAC), collectively explain 70.6% of the variance in Future Cash Flow (FCF). This substantial explanatory power highlights the importance of both financial performance metrics and the moderating role of accounting conservatism in predicting future cash flows. The remaining 29.4% of the variance is attributable to other factors not captured by the model.

The first hypothesis of this study posits that Operating Cash Flow (OCF) influences Future Cash Flow (FCF). As shown in Table 3, the regression analysis yields a significance value of 0.014, which is below the 5% significance threshold. These results indicate that OCF has a statistically significant negative effect on FCF. Therefore, H_0 is accepted and H_1 is rejected. While prior studies by Andayani (2015), Maretha (2021), Finger (1994), Senan (2019), and Supriyadi (1999) support the proposition that current OCF influences future FCF, the direction of the effect observed in this study differs. Contrary to Pangestu (2020) and Moeinaddin (2012), who found no significant relationship, this study highlights a significant inverse relationship.

The findings suggest that current OCF contains information about future cash flows; however, the negative coefficient indicates that higher current OCF may be associated with lower future FCF. This counterintuitive result may be attributed to several factors. First, overinvestment may explain the negative effect: firms with high OCF may overallocate resources to capital expenditures or unprofitable projects, thereby reducing future cash inflows. Second, earnings management could be at play, where firms smooth reported cash flows by deferring revenue or accelerating expenses, ultimately dampening future cash flows. Third, temporary income sources, such as one-off gains or asset disposals, may inflate current OCF without generating sustainable future returns. These dynamics underscore the complexity of using OCF as a predictor of FCF and challenge the assumption that strong current cash flows inherently signal future strength.

The second hypothesis examines the effect of Net Income (NI) on Future Cash Flow. The regression analysis, as summarized in the results table, reveals a significance value of 0.000, well below the 5% threshold. Thus, H_0 is rejected and H_2 is accepted. Net Income exerts a positive and statistically significant effect on FCF, with a standardized coefficient (Beta) of 0.254, making it the most robust

predictor in the model, surpassing the explanatory power of OCF (Beta = -0.163). These findings are consistent with studies by Pangestu (2020), Ebaid (2011), and Jemaa (2015), which argue that accrual-based earnings, such as NI, are more informative in forecasting future cash flows than cash-based measures. In contrast, Andayani (2015) found no significant relationship, suggesting contextual differences.

The superiority of NI over OCF may be attributed to three key factors. First, net income captures accrual components (e.g., accounts receivable, depreciation) that reflect a firm's longer-term financial performance, while OCF reflects short-term liquidity. Second, accounting conservatism improves the quality of reported net income by discouraging overstatement of earnings and promoting timely recognition of losses, thereby enhancing predictive reliability. Third, firms listed in the Kompas100 index often exhibit mature financial reporting structures, greater transparency, and lower earnings volatility, allowing NI to serve as a more stable and informative signal of future cash flow generation.

The third hypothesis suggests that Revenue (RV) has a significant effect on Future Cash Flow. However, the regression results indicate a significance value of 0.623—well above the 0.05 threshold—and a minimal standardized coefficient (Beta = -0.030), leading to the acceptance of H_0 and rejection of H_3. These results suggest that revenue, as measured in this model, does not significantly contribute to the prediction of future cash flows. This finding aligns with Maretha (2021), who also observed no significant effect of revenue on operational cash flow, and with Kusuma (2021), who found that gross profit (revenue less cost of goods sold) is not a reliable predictor of future cash flow.

Several factors may explain the lack of association between revenue and future FCF. First, high revenue does not guarantee profitability if it is not accompanied by efficient cost control and healthy margins. Second, revenue generated through credit sales or heavy discounting may lead to delayed or uncollectible receivables, undermining future cash flow. Third, industry cost structures vary widely; firms with high fixed or variable costs may struggle to translate revenue into cash. Lastly, accounting policies, such as deferred or aggressive revenue recognition, may distort the temporal alignment between reported revenue and actual cash inflows, weakening its predictive utility.

The fourth hypothesis proposes that accounting conservatism moderates the relationship between OCF and FCF. The moderated regression analysis reveals a significance value of 0.018, below the 0.05 threshold, confirming that the interaction term (OCF × Accounting Conservatism) significantly influences FCF. Accordingly, H_4 is accepted and H_0 is rejected. This finding is supported by prior studies such as Kimouche & Charchafa (2024), Simanjuntak et al. (2024), Krismiaji & Sururi (2021), and Handayani (2007), all of which suggest that accounting conservatism acts as a moderating factor in the relationship between operating performance and future outcomes.

A notable shift in the regression coefficient for OCF—from -0.194 in the main effect (Table 3) to -0.218 in the interaction model (Table 4)—indicates that the negative effect of OCF on FCF becomes stronger when accounting conservatism is present. This suggests that conservative accounting practices, while enhancing

reliability, may also filter out informative content from cash flow metrics. Conservative firms may delay recognizing revenue despite strong operating performance, which can obscure the link between current OCF and future FCF. Conversely, firms with less conservative policies may recognize revenue more aggressively, leading to a stronger observed relationship.

Accounting conservatism involves systematic understatement of assets, overstatement of liabilities, accelerated expense recognition, and delayed revenue recognition. These practices, while promoting caution and reliability, can also distort the timing and perceived magnitude of cash-generating activities. In highly conservative firms, OCF may therefore become a less informative predictor of future cash flow, particularly when temporary or timing-related accounting treatments affect the association. This underscores the importance of accounting context in interpreting financial performance metrics.

The fifth hypothesis posits that accounting conservatism weakens the influence of net income on future cash flows. As shown in the regression analysis summary, the interaction term between net income and accounting conservatism (NI × AC) has a significance value of 0.002, which is below the 5% threshold, confirming a significant moderating effect. These findings support the hypothesis that accounting conservatism alters the predictive relationship between net income and future cash flows. This result aligns with prior research by Patatoukas and Thomas (2011), Krismiaji and Sururi (2021), and Barth et al. (2020), who argue that conservative accounting practices reduce the informativeness of earnings in forecasting future cash flows. Handayani (2007) also highlights the role of conservatism as a moderating factor in the relationship between reported performance and future outcomes.

The introduction of the NI × AC interaction results in a marked change in the regression coefficient for net income, shifting from a significant positive value (B = 0.378, Table 3) to an insignificant and negative value (B = -0.059, Table 4). This shift provides compelling evidence that accounting conservatism dampens or even nullifies the positive effect of net income on future cash flows. The implication is clear: in firms with strong conservative reporting practices, current net income becomes less relevant for predicting future cash flow. Thus, H_5 is accepted, and H_0 is rejected.

Conservative accounting practices—such as the understatement of assets, overstatement of liabilities, deferral of revenue, and acceleration of expense recognition—can significantly distort the true economic performance represented by net income. These distortions reduce the usefulness of net income for investors and creditors seeking to assess future cash-generating potential. While conservatism serves as a safeguard against managerial opportunism, its application in excess may impair the quality of reported earnings, thereby limiting their value for forward-looking analysis.

The sixth hypothesis suggests that accounting conservatism moderates the relationship between revenue and future cash flows. The regression analysis yields a significance value of 0.000 for the interaction term RV × AC, indicating a strong moderating effect. Consequently, the hypothesis is supported, and H_6 is accepted while H_0 is rejected. These findings are consistent with prior studies by Chen et al.

(2018), Lara et al. (2016), and Handayani (2007), who argue that conservative accounting practices reduce the forward-looking utility of revenue figures.

After the inclusion of the interaction term, the coefficient for revenue shifts from an insignificant value (B = -0.036, Table 3) to a significant negative value (B = -0.115, Table 4), suggesting that while revenue alone does not predict future cash flows, its interaction with accounting conservatism significantly alters its impact. The persistence of a negative coefficient, even after becoming significant, implies that conservative revenue recognition practices may suppress the informative value of revenue in predicting future cash flows.

This distortion can arise from delayed revenue recognition practices that prioritize verification and certainty. For example, revenues tied to long-term contracts or asset sales may be deferred under conservative standards, causing a timing mismatch between economic activity and its financial reporting. Simultaneously, conservative firms may accelerate expense recognition, further weakening the apparent profitability and cash-generating capacity derived from reported revenue. These findings reinforce the view that while conservatism enhances reliability, it may also impair the timeliness and relevance of financial information for cash flow forecasting.

CONCLUSION

This study investigates the impact of operating cash flow, net income, and revenue on future cash flows, while also examining the moderating role of accounting conservatism. The research utilizes a sample of firms listed in the Kompas100 index on the Indonesia Stock Exchange (IDX) for the 2015–2020 period. The findings reveal that both operating cash flow and net income significantly influence future cash flows, with net income emerging as the more powerful predictor. In contrast, revenue does not exhibit a significant direct effect, indicating that it may not be a reliable standalone indicator for forecasting future cash flows.

Moreover, the study demonstrates that accounting conservatism significantly moderates the relationships between all three predictors and future cash flows. In particular, conservatism weakens or alters the effects of operating cash flow, net income, and revenue, primarily through its influence on the timing and recognition of financial events. While conservatism enhances reporting reliability, it also introduces informational lags that may reduce the relevance of key financial indicators for forecasting purposes.

These findings contribute to the broader discourse on the role of financial reporting in decision-making and highlight the dual nature of accounting conservatism—as both a safeguard and a potential limitation in predictive financial analysis.

Despite its contributions, this study acknowledges several limitations. First, the analysis is confined to a six-year period (2015–2020), which may not fully capture long-term economic cycles or structural shifts in financial reporting. Second, the sample is limited to Kompas100 constituents, potentially limiting the generalizability of the findings to smaller firms or those in less-regulated environments. Third, the study does not account for external macroeconomic factors—such as inflation, monetary policy, or global economic volatility—that may influence firms' cash flow dynamics.

Future research is encouraged to address these limitations by extending the observation period to cover a broader economic timeframe (e.g., 10–20 years) and by incorporating a more diverse sample across industries, firm sizes, and growth stages. Additionally, the inclusion of macroeconomic variables as control factors—such as interest rates, exchange rates, and political stability—would provide a more comprehensive understanding of the determinants of future cash flows. Finally, future studies should explore the roles of mediating (e.g., capital investment, leverage) and moderating variables (e.g., corporate governance quality, industry competitiveness) to deepen insight into the complex mechanisms linking financial performance, accounting practices, and cash flow forecasting.

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