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DETERMINANTS OF EARNING PERSISTENCE IN CONSUMER CYCLICALS SECTOR IN INDONESIA

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Abstract

Companies need income persistence in maintaining performance in the capital market. Income persistence will be a consideration for investors in making investment decisions. This study analyzes the factors of total accruals, real earnings management, cash flow volatility, and leverage that can affect income persistence in consumer cyclicals companies listed on the Indonesia Stock Exchange in 2017-2020. Sampling method with purposive sampling method. There were 42 samples that met the criteria. The analysis used multiple regression analysis which was processed using SPSS 22. The research showed that total accruals, cash flow volatility, and leverage had no effect on earnings persistence, but real earnings management showed an effect on income persistence. However, real earnings management showed effect on earnings persistence. The implication of this research is that every company must pay attention to these four factors in the current year so that it shows good and resilient corporate finance which can provide a positive signal for investors so that it increases the company's share price in the capital market.

Keywords: Income Persistence, Total Accrual, Real Earning Management, Cash Flow Volability, Leverage

I. INTRODUCTION

Recently Indonesia was declared a developed country by the WTO (World Trade Organization). Indonesia has contributed to a number of global economic outcomes (Idris, 2020). As a condition for a country to be declared as a developed country is the country's per capita income level as measured by the Gross Domestic Product (GDP). One of the factors that can support an increase in GDP is the level of investment. GDP has a positive correlation between investment and the growth of the country's infrastructure (BKPM, 2020). GDP is obtained from the level of output from domestic industries that are consumed domestically or abroad. The higher the consumption level, the higher the company's output level, meaning the higher the GDP level of a country.

GDP is influenced by the level of public consumption. The consumption that is most felt is the consumption of the need for primary and non-primary goods. Consumption of primary goods is a product that is needed by society. However, the consumption of non-primary goods can be a secondary or supporting need. Companies engaged in non-primary products are grouped in the consumer cyclical sector. The industrials sector which produce and distribute non-primary consumer products or services whose characteristics are strongly influenced by economic conditions.

Cyclical consumer companies often need funds for investment, development and operations. This need for funds can be obtained in various ways, such as borrowing funds from banks or financial institutions, credit suppliers, issuing bonds, and issuing or selling some shares to investors. However, all efforts to obtain funds need consideration and attention to matters that can attract funders or investors to invest in the company.

Inevitably, the economic situation also affects the company's financial condition, especially for companies in the non-primary consumer goods industry sector that sell secondary to tertiary goods. According to the BPS (Central Statistics Agency), economic conditions in Indonesia experienced a deflation of -2.07% due to the Covid-19 pandemic. Even so, there are still a number of manufacturing sectors that still provide positive output to national economic growth.

Investors in assessing a company for investment use the company's financial statements as the main reference. Profit is an important component that is often considered because profit reflects the company's performance in managing company resources. Good earnings quality is sustainable earnings. To assess sustainable earnings, there are two crucial attributes that must be considered, namely earnings persistence and predictability. Earning persistence is the component most highlighted by investors who expect a high rate of return from their investment (Fatma & Hidayat, 2019). Earnings persistence is a measurement that can predict the extent to which a company's profits will last in the future (Sutisna & Ekawati, 2017).

In principle, revenue recording is carried out using the accrual basis system. On the accrual basis, the total accrual represents the amount that represents the level of income and expenses recognized by the company before cash is received or disbursed. This is often overlooked by investors in assessing earnings because published profits are total accrued profits and real profits. In order to show high profits, management can manipulate so that the profits disclosed do not fully represent the company's financial condition. This can be done by manipulating data on sales, production costs, and discretionary expenses which can be referred to as real earnings management (Khuong et al., 2022). According to Oei et al (2007), total accruals have a positive impact on earnings persistence and this statement is in contrast to the research of Dey & Lim (2015) which states that total accruals have no effect on earnings persistence. Then, the research of Khuong et al. (2021) states that real earnings management has a positive impact on profit persistence, while Potharla (2022) states that real earnings management has a negative impact on earnings persistence.

One that can be used as a reference in predicting future earnings is to look at cash flow volatility (Sutisna & Ekawati, 2017). cash flow volatility is the level of vulnerability of cash flows in the future which is influenced by many factors. The more volatile a company's cash flow, the more difficult it is to make predictions about future earnings. There is a study on the relationship between cash flow volatility. Bas, & Indrijawati, 2020) states that cash flow volatility has a positive impact on profit persistence, while Melastiani and Sukartha's (2021) states that cash flow volatility has a negative impact on earnings persistence.

On the other hand, companies to develop and run their business, in addition to issuing or selling shares, can borrow debt from third parties. Debt will affect the company's profit level, because each debt has an obligation to pay compensation in the form of interest or coupons. Even though this expense is not included in the company's operations, it will affect the company's profit results in a comprehensive manner and will also affect cash flow. Debt can be made to suppliers, banks with working capital loans and long-term investment loans. Every debt has a time to return it. The company's debt level or leverage level describes how much funds come from debt (Yanti, 2017) to finance business operations. Nevertheless, not all studies show the influence of leverage on earnings persistence. According to the research by Dayanti et al (2021), leverage has a positive impact on profit persistence, but research by Widiatmoko and Indarti (2019) found leverage has a negative impact on profit persistence. Thus, the level of leverage becomes a factor in determining the amount of profit and predicting future earnings.

Seeing the many factors that affect the company's profit report, and to get predictions about the company's condition in the future. This study wants to analyze the factors that influence earnings persistence, especially companies in the consumer cycles sector which are listed on the Indonesia Stock Exchange. Based on previous studies, there is still a research gap. This study wants to analyze whether total accruals affect earning persistence, does real earning management affect earning persistence, does cash flow volatility affect earning persistence, and leverage affects earning persistence. The underlying reason is that this business produces non-primary needs products.

The aim and objective of this study is to analyze the effect of total accruals, real earning management, cash flow volatility and leverage on earning persistence in companies in the consumer cyclicals sector. With this analysis, it is expected that the company can improve its financial performance, especially on company profits. Meanwhile, this research becomes a consideration for investors in investing in consumer cyclicals companies

On the other hand, the usefulness of this research is expected to provide input for companies to improve their performance based on these four factors, making it easier for investors to carry out earnings persistence of company profits in the future. Thus, investors can make good decisions from the investments made. Doing proper earnings management can increase stock prices which in turn can increase the value of the company.

II. LITERATURE REVIEW AND HYPOTHESES

Agency Theory.

In modern business organizations, there are differences in the roles of shareholders and operational executors. Shareholders are referred to as principals, while the operational implementation carried out by managers is known as agents. This separation of functions supports good governance in running a business. Agents as executives and share principals as supervisors. In addition, the principal as the owner of capital, does not necessarily have competence over the company's operations. Meanwhile, agents are generally selected and appointed according to their expertise in the company's business field.

This separation of roles is known as agency theory. The theory developed by Jensen and Meckling. This theory explains the contractual relationship between two parties, the principal and the agent which is deemed necessary in terms of behavior and structure (Jensen and Meckling, 1976). Principals, who are also stakeholders, assign tasks to agents with the expectation that agents will behave or act in the interests of the principals (Eisenhardt, 1989; Jensen and Meckling, 1976). However, in practice, the principal and agent relationship raises two problems, namely differences in interests and information asymmetry.

This difference in interests arises because of the different mentality of agents and principals. The opportunistic nature of the agent will cause the agent's goals to be inconsistent with the principal's goals. The agent's interest is to get rewards in the form of salaries and bonuses for achievements where salaries and bonuses are a burden to the company which will ultimately reduce the rate of return on the principal's investment funds. Meanwhile, the interest of the principal is to increase welfare through a high rate of return on the funds invested in the company. As a result of these different interests, it results in the emergence of information asymmetry within the company. This information asymmetry occurs when the information held by management is more complete than the information provided or obtained by the principal. Information asymmetry associated with differences in interests can occur in financial reports. Agents are more likely to carry out information asymmetry through accounting practices (Fricilia and Lukman, 2015)

Earnings Persistence.

Earning persistence is defined as a repetition of accounting profit that is expected to occur in the future based on the reflection of income for the current accounting year (Sutisna & Ekawati, 2017). This earning persistence indicates the success of the company's performance in the company's operations for a certain period of time (Douglas et al., 2020). Earning persistence can be seen from the performance seen throughout the company's performance where earnings persistence is viewed from income and stock prices in the capital market (Canina & Potter, 2018).

Total Accruals.

Total accruals are the amount of income that occurs when there is a right to a transaction of goods or services to an outside party or the amount of costs that arise when there is an obligation for the event to provide economic resource benefits attached to the goods or services (Hartanto & Hastuti, 2021). According to Sloan (1996), the level of accruals in current earnings is considered not persistent so that it can affect the level of earnings persistence. This opinion considers cash to be a more reliable component than accruals because predictions of future earnings can be carried out well when the reliability of accruals is high. Even so, accruals can still be used in predicting future cash flows, thus accruals can predict future income (Sutisna & Ekawati, 2017).

In assessing the actual profit of a company, it is necessary to separate income earned on an accrual basis and in cash. In accrual-based income, revenue is recognized when a transaction occurs without obtaining evidence of cash inflow from the transaction. Total accrual is one of the benchmarks used to predict future cash flows as well as future income. This statement is in accordance with research conducted by Dey & Lim (2015), Oei et al (2008), and Richardson et al (2005) which in their study stated that total accruals have a positive effect on earnings persistence.

Based on the explanation and results of previous studies, the hypothesis that is built is:

H1: Total Accrual has a positive and significant effect on the earnings persistence.

Real Earnings Management.

Real earnings management is an event that occurs when managers act in a way that deviates from proper practice with the aim of reporting high profits during the current accounting period (Khuong et al., 2022). In other word management has done earnings management. Earnings management is done by manipulating data relating to sales, production costs, and discretionary costs. The uniqueness of this earnings management is that the manipulation carried out by managers is included in real business activities, for example, recording research and development expenses, investments, sales and disposal of the company's long-term assets. Agency theory describes the responsibility of agents towards principals in terms of agents must be able to provide results that have a good impact on principals so that this theory encourages managers to carry out real earnings management.

Real earnings management is generally carried out by manipulating information on the company's operating activities presented in the profit and loss statements. The goal is to increase revenue in the present. In general, this is done by setting a price reduction policy or extending credit terms. Not limited to that, it can be done by adjusting profits during the accounting period. This can help companies adjust to unexpectedly low cash flow levels. This policy will pose a threat to long-term revenue due to the increase in the company's receivables. The results of a previous study by Khuong et al. (2021), and Pernamasari (2018) state that real earnings management has a positive effect on earnings persistence.

Based on the explanation and results of previous studies, the hypothesis that is built is:

H2: Real Earnings Management has a positive and significant effect on the earning persistence.

Cash Flow Volatility.

Cash flow is crucial in business. Cash as the most liquid asset is needed by the company in its operations. Therefore, cash flow within the company is the basis used to predict future company performance (Sutisna & Ekawati, 2017). Cash flow volatility describes the instability of the company's cash flow in a certain period. When the company's operating cash flow is positive and not volatile, the company will be well regarded and trusted by investors. The higher the level of cash flow volatility, the higher the uncertainty in the company's operations and the more difficult it is to predict future cash flows.

The level of cash flow volatility describes the level of uncertainty in predicting the company's future cash flows. The more unstable the company's cash flow, the more difficult it is to make predictions on future cash flows. Fluctuating cash flows indicate the company's inability to maintain stable profit performance. In carrying out an assessment or evaluation of the persistence of earnings, a constant or stable cash flow statement is needed because a company's cash flow can explain activities that are directly related to the process of earning profits. Based on the research of Melastiani & Sukartha (2021), it is stated that cash flow volatility has a negative impact on earnings persistence.

Based on the explanation and results of previous studies, the hypothesis that is built is:
H3: Cash Flow Volatility has a negative and significant effect on the Eraning Persistence.

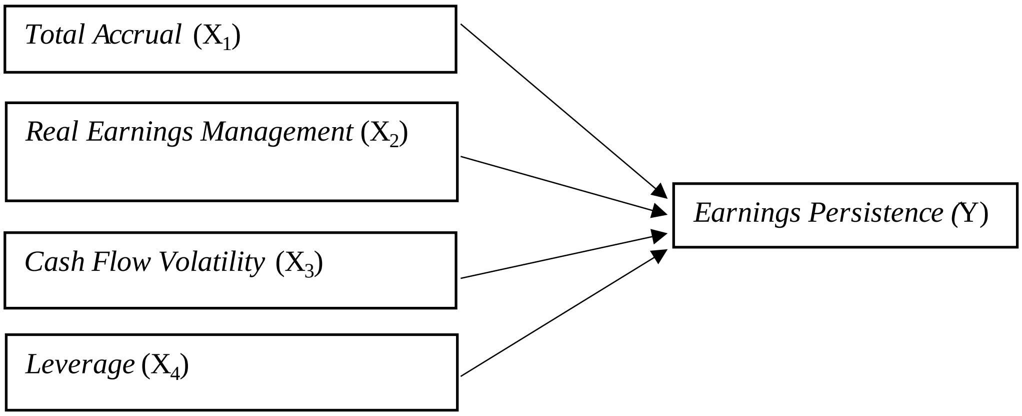
Leverage.

Leverage is a ratio that represents the level of a company's debt (Dayandi et al., 2021). Debt is one of the company's sources of funds to carry out operational activities and develop the company. Payables can be obtained from suppliers due to company operating transactions, making loans to third parties, and issuing bonds. Loans from third parties can be in the short term which is generally used for working capital, and longterm loans or investments. The consequence of this debt is the payment of interest and the main debt to the lender or loan. For this reason, the company must make a plan to fulfill these obligations so that the company maintains its income to avoid the risk of failing to fulfill its obligations (Sabila. et al, 2021). To measure this level of leverage by comparing the total debt with the company's total assets (Kieso et al., 2018).

Even though debt essentially has a positive effect on the company due to additional funds that can be utilized by the company. It's just that, the existence of debt will also cause additional expenses in the form of interest so companies must be able to use their funds properly. In addition, investors will be more reluctant or more careful in investing in companies that have high debt levels. Leverage aspect that investors pay attention to before investing is the company's leverage level. The emergence of debt will cause additional costs in the form of interest so that the company must balance the interest expense with the productivity of the loan, the rate of return to shareholders and the allocation of funds to continue carrying out its operational activities. High debt levels will send a warning signal to investors. For this reason, the management must demonstrate the company's performance as indicated by good financial performance, one of which is earnings persistence. Thus, leverage will affect earnings persistence. This was stated by the research of Sevendy et al. (2022), Yanti (2017), and Nurdiniah et al (2021) which state that leverage has a positive impact on company earnings persistence.

Based on the explanation and results of previous studies, the hypothesis that is built is:
H4: Leverage has a positive and significant effect on the earning persistence.

Based on the hypothesis built on the variables Total Accrual, Real Income Management, Cash Volatility and Leverage on earning persistence are as follows:



Picture 1
Research Framework
Source: Authors

III. RESEARCH OBJECTS AND METHODS

Reseach Design

The research method used is a quantitative descriptive method with secondary data. The data was taken from companies in the consumer cyclicals sector which were listed on the Indonesia Stock Exchange during the 2017-2020 period. This study takes the independent variables consisting of Total Accrual, Real Earning manager, Cash Flow Velolity and Leverage. While the dependent variable to be studied is earnings persistence.

The operationalization of variables and measurement methods used in this study are:

Table 1.
Operationalization of Variables and Measurement of Research Variables

Variables	Sources	Measurement	Scale
Total Acrual (TA)	Richardson et al. (2005)	$TACC = \frac{\Delta WC + \Delta NCO + \Delta FIN}{Total\ Assets}$	Ratio
Real Earnings Management (REM)	Khuong et al. (2021)	$EPR = \frac{CFO_{i,t} + PROD_{i,t} + DISEXP_{i,t}}{3}$	Ratio
Cash Flow Volatility (CFV)	Sutisna & Ekawati (2017)	$VAK = \frac{\sigma CFO_t}{Total\ Assets_t}$	Ratio
Leverage (Lv)	Nurdiniah et al. (2021)	$DAR = \frac{Total\ Debt}{Total\ Assets}$	Ratio
Earnings Persistence (EP)	Khuong et al. (2021)	$Earnings_{i,t+1} = EPS_{i,t+1} \times stock\ price_{i,t+1}$	Ratio

Source : Complied by Authors

Analysis using multiple regression. the regression equation used is as follows:

EP = α + X1TC + X2 REM + X3 CFV + X4Lv + ε

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EP = Earning Persistence
TC = Total Accrual
REM = Real Earning Management
CFV = Cash Flow Volatility
Lv = Leverage
ε = other variables outside the research model used
Data was processed using SPSS software version 22

Sampling Method

The sampling method uses purposive sampling, namely samples taken with a specific purpose. Therefore, the samples taken must meet certain criteria. The criteria used in sampling were 1) the company consistently reported its audited financial statements, 2) the financial statements ended on December 31, 3) successively experienced profits, 4) did not experience sector changes during the observation period, 5) not delisting or suspending past the end of the accounting period, and 6) financial statements are prepared using the rupiah currency. The total population of companies in this sector is 143 companies. The number of valid samples in this study were 16 companies with a total of 42 sample data

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Data analysis techniques

The analysis of this study uses multiple regression. In addition to carrying out the regression test, a determination test was also carried out to find out how much the independent variable is part of the dependent variable. Before the regression test was carried out, the classical assumption test was carried out which consisted of normality, heteroscedasticity, multicollinearity, and autocorrelation tests. The normality test is a test that aims to determine clearly whether the regression model in a study can be stated that the data is normally distributed, be it a confounding variable or a residual variable (Ghozali, 2020: 161). The heteroscedasticity test is a test that intends to see whether there is an inequality of variance from the residuals from one observation to another in the regression model (Ghozali, 2020: 137). The multicollinearity test is a test that intends to find out whether there are symptoms of correlation between independent (independent) variables in the regression model (Ghozali, 2020: 107). The regression model can be said to be good when there is no correlation between the independent variables. The autocorrelation test is a test that intends to find out whether there is a correlation between the interference errors in the t period and the interference errors in the t-1 period (Santoso, 2020:205).

IV. RESEARCH RESULTS AND DISCUSSION

Result

From the valid data, the classical assumption test was carried out. Summary of the results of the classic assumption test consisting of Normality, heteroscedasticity, multicollinearity, and autocorrelation tests. The results of the classical assumption test can be seen below:

Table 2.
Summary of classical test results

Tests	Asymp. Sig. (2 Tailes)	Variables	Sig.	Collibearity tes Tolerance	Collibearity tes VIF	Durbin Watson
Normality Test	0.200					
Heteroscedasticity tests.		TA	0.245			
		REM	0.225			
		CFV	0.091			
		Lv	0.581			
Multicollinearity tests.		TA		0.986	1.015	
		REM		0.846	1.182	
		CFV		0.980	1.021	
		Lv		0.823	1.215	
Autocorrelation tests.						1.233

Source: Output SPSS V22

The results of the normality test, the value of Asymp.Sig. (2 tailed) shows a value of 0.200. This value is greater than 0.05. From these results, it shows that the data has been normally distributed. The results of the Heteroscedasticity tests show that the significant value of each independent variable is greater than 0.05. Total Accrual has a value of 0.245, Real Earning Management 0.225. Cash Flow Velolity 0.091, and Leberage 0.581. These results indicate that there is no variance and residual inequality of the independent variables used in this study. Multicollinearity tests are measured by Tolerance values and VIF values. The independent variables are said to be free from each independent variable if they have a tolerance greater than 0.1 and a VIF value less than 10. The results of this test show that the tolerance values for Total Accrual, Real Earning Management, Cash Flow Volality and Leverage are 0.986 each. ; 0.846; 0.980; and 0.823. While the VIF value for Total Accruals is 1,015, Real Earning Management is 1,182, Cash Flow Volality is 1,021, and Leverage is 1,215. From these results, it shows that all independent variables have a tolerance value greater than 0.1 and a VIF value less than 10, so it

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can be concluded that the independent data used in this study are independent from one another. The autocorrelation test uses the Durbin Watson formula. The results of this autocorrelation test show a Durbin Watwson value of 1,233. The value is between the values -2 and +2 (Santoso, 2020: 207). These results indicate that there is no autocorrelation between the independent variables in this study.

When the classical assumption test meets the requirements, then a regression and determinant test is performed. The results of the regression and determination tests can be seen in the table below:

Table 3.
Regress test results (t Test) and Deterrmination Test

		Unstandardized Coefficients		Standardized Coefficients	t	sig	R	R^2
Model		β	Std. Error	Beta				
1	(Constant)	14.680	2.247		6.533	0.000		
	TA	-2.013	1.695	-0.174	11.187	0.243		
	REM	-2.599	0,927	-0.443	-2.802	0.008		
	CFV	-3.289	5.240	-.092	-0.628	0.534		
	Lv	-0.978	0.576	0.272	-1.698	0.098		
	Determination						0.218	0.134

Resouce: Output SPSS V22

From the regression results, the regression equation obtained in this study is:
ER = 14.680 – 2.013TA – 2.599 REM - 3.289 CFV – 0.978 Lv + ε

The regression equation in this study shows a negative beta value which indicates the independent variable forms a negative slope to the dependent variable. If seen from the determination test or R test, the variable used in this study is 13.4%. There are still many factors or variables that have an influence on earning persistence.

The results of the t test show that the significant value of Total Accrual (TA) is 0.243, Cash Flow Volality (CFV) is 0.534, and Leverage (Lv) is 0.098 which is greater than 0.05 with a beta coefficient TA of -2.013, CFV of -3.289, and Lv is -0.978, this shows TA, CFV. Lv has no effect on Earning Persistence (RP). In contrast, Real Earning Management (REM) has a significant value of 0.008 and Leverage (Lv) is smaller than 0.05 which indicates that this independent variable is significant to the dependent variable, but REM has a beta value of -2.559 which indicates a negative direction so that REM has a negative influence against EPs.

Based on the explanation above, the results of the influence test (t test) are compared with the hypothesis as follows:

Table 4.
Hypothesis Analysis

Description	Hypothesis	Test Result	Conclusion
Effect of TA on EP	Positive effect	Negatif Effect	hypothesis is rejected
Effect of REM on EP	Positive effect	Negatif Effect	hypothesis is rejected
Effect of CFV on EP	Negative effect	Negatif Effect	hypothesis accepted
Effect of Lv on EP	Positive effect	Negatif Effect	hypothesis is rejected

Dicussion

Effect of Total Accrual on Earning Persistence

The results of the hypothesis analysis show that Total Accrual (TA) has no effect on Earning Persistance. This is in line with the research of Dey & Lim (2015) which conducted research on companies other than financial companies in America, but contradicts the results of the studies of Oei et al. (2007) which conducted resarch on Australian companies. This study concludes that TA has no effect on EP due to the possibility of decreased sales during the early period of the Covid -19 pandemic which began in the first quarter of 2020 until the waiver of activity restrictions at the end of 2022. Considering that the object is a non-primary consumer company, with pandemic conditions and products that produced are not basic needs, then there is a decrease in sales which has an impact on the decrease in the value of receivables. Management tries to align its interests with the principal in facing the pressure of decreasing income by controlling receivables to maintain earning persistence. Management equates the interest of maintaining as an agent during the stressful conditions of the Covid-19 pandemic. By controlling accrual accounts, profit synthesis in the industry can be maintained, making this factor have no influence or TA value during 2020-2022. TA cannot be used as a predictor of EP

Effect of Real Earning Management on Earning Persistence

The results of the hypothesis analysis show that Real Earning Management (REM) has no effect on Earning Persistance. This is in line with research of Potharla (2022) carried out in Indian companies but different results from the study of Khuong et al. (2021) at a company in Vietnam. This study concludes that REM has no effect on EP due to decreased sales during the early period of the Covid -19 pandemic, early 2020 until the end of 2022 which caused a decline in sales so that management had difficulty managing profits by manipulating sales and expenses during that time. The decline in sales was due to the fact that the products from this company were non-primary goods which were not a basic need for consumers during the pandemic. The difficulty of manipulating sales profit and loss reports or income and expenses during 2020-2022 by management to fulfill interests has an impact on narrowing information asymmetry between management as agents and shareholders as principals. This condition means that the REM variable cannot be used to predict EP.

Effect of Cash Flow Volatility on Earning Persistence

The hypothesis analysis of the Cash Flow Volatility (CFV) variable on Earning Persistence (EP) shows that the research results are in accordance with the hypothesis. These results support the research conducted by Melastiani and Sukartha (2021), however, these results contradict the results of (Bas & Indrijawati, 2020) and Indrijawati (2020). CFV has no effect on EP due to decreased sales due to the Covid-19 pandemic which at the beginning of 2020, this pandemic cannot be predicted when it will end. As a result of uncertainty over the end of the pandemic and declining sales, the company is having difficulty stabilizing its cash flow. Cash flow with high volatility makes it difficult to predict the sustainability of future earnings. Thus, this study shows that CFV has no effect on EP. Based on agency theory, this condition makes the agent or management bring their interests closer to the interests of the principal

Effect of Leverage on Earning Persistence

The results of this study show that Leverage (Lv) has no effect on Earning Persistence (EP). These results are supported by the research of Widiatmoko and Indarti (2019) but not supported by the research of Dayanti et al (2021). As is the case with other independent variables, the cause of Lv has no effect on EP because during the study period there was a period when the Covid-19 Pandemic occurred, which was 3 years out of the 5 years accounting period in this study. At the start of the Covid-19 pandemic, there was business uncertainty, especially for companies producing non-primary goods, causing many companies to decrease loan rates. In addition, the government, through Bank Indonesia's policy, kept loan rates at a low level, including interest rates on loans and deposits. The actions of companies that reduce loans and Bank Indonesia which maintains and even lowers interest rates causes the interest expense on loans to have no effect in predicting the sustainability of company profits in the future, so that Lv has no effect on EP in this study. In this condition, management does not do much to pay attention to its own interests, so it can be said that management will align its interests with the interests of the principal

V. CONCLUSIONS AND *RECOMMENDATIONS*

Conclusion

Total Accrual, Real Earning Management, Cash Flow Volatility and leverage in this study have no effect on Earning Persistence. The research was conducted on consumer cyclicals sector companies listed on the Indonesia Stock Exchange in the period 2017 to 2022. Industries that produce non-primary products and services are of particular interest to study because during that period there was a period of the Covid-19 pandemic, namely for 3 years, 2020-2022. At the beginning of the 19-pandemic period, there was a lot of uncertainty about business because the covid-19 pandemic was unpredictable. Not one country in the world has experience dealing with this pandemic. Business uncertainty, coupled with products produced instead of primary products, adds to business uncertainty in this sector.

The Covid-19 pandemic has had an impact on decreasing company turnover, which has had an impact on decreasing accounts receivable so that it is difficult to use Total Accruals to predict future profits. The decrease in Total Accruals causes the company's cash flow to become unstable. The more unstable the cash flow, the more difficult it is to predict earnings persistence. In addition to the decline in sales, the company's expenses have also decreased because many companies have reduced hours of business activities and made reductions in employees. The decrease in expenses also made it difficult for management to manipulate financial reports to get Real Earning Management. Also supported by a decrease in loans followed by a decrease in loan interest rates from Bank Indonesia so that interest expenses are relatively lower. With the decline in sales and expenses, it causes management to experience a little difficulty in managing earnings, so that Real Earning Management has no influence on Earning Persistence. From the samples that met the criteria, only a few companies met in this study. In conclusion, in an unstable economic condition or an outbreak within the country can disrupt the business which involved an an industrial sector. If the outbreak for a relatively long time, it will make it difficult for the company to predict future profits

Limitation

The limitation in this study is to take a research period where there is a period of economic turbulence that has an impact on companies in the consumer cyclicals sector. The existence of a period of economic and social turbalance in this period caused the data that met the criteria to be limited.

Rekomendation

Based on the results of this study, it can be aimed at companies, investors and further research. For companies or management, it is better to process receivables or accruals properly so that with good accruals, cash flow becomes stable. With the management of accounts receivable and cash flow, it will be easy for investors to predict earnings persistence. Likewise, by carrying out earnings management, both arrangements in terms of sales or income and expenses, still follow the rules of Accounting Standards and applicable tax provisions so that expenses are not out of control which will disrupt cash flow in the future. In managing the company's expenses and financial health, the level of leverage is also controlled by looking at the potential income/sales that can be generated from the loan.

For investors, in considering earnings persistence in investment decisions, they must consider these four factors, and do not look at the current year's profit or the position of the company's total assets. Accounts receivable, accounts payable, sales and expenses are also taken into consideration.

Meanwhile for future research, in order to pay attention to the sampling period, it is better to take a period when there are no extraordinary events in the social and economic fields that affect the industrial sector used as samples. Other variables can be added such as net income, total assets. Or use other models with moderation of ownership or governance structures.

VI. Reffernces

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