

Research Article

Measuring Earnings Quality: The Role of Fiscal Accounting, Accruals, Leverage, and Cash Flow on Earnings Persistence

Chikal Mahardika Haryadi¹, Suhirman Madjid^{2*}

^{1,2} Faculty of Economics and Business, YARSI University, Jakarta

Received: 06-08-2026; Accepted: 16-08-2026

Abstract

This study aims to examine the effect of differences between accounting profit and fiscal profit, discretionary accruals, leverage, and cash flow on profit persistence. The research method used is a quantitative research method and uses secondary data, namely property and real estate companies listed on the Indonesia Stock Exchange (IDX). The sampling technique in this study was purposive sampling with a sample size of 12 companies during the 2019-2021 period. The analysis method used is multiple linear analysis technique using the SPSS 25.0 application. The results of this study indicate that discretionary accruals partially affect profit persistence. Meanwhile, the difference between accounting profit and fiscal profit, leverage, and cash flow do not affect profit persistence. The managerial implications of these findings indicate that management needs to be more careful in preparing financial statements, especially regarding the practice of discretionary accruals and the presentation of differences between accounting and fiscal profit, because this has a direct impact on the perception of the sustainability of the company's profit performance.

Keywords: Difference between Accounting Profit and Fiscal Profit, Discretionary Accruals, Leverage, Cash Flow, Profit Persistence

JEL Classification: M41, G25, H25

Corresponding author: Suhirman Madjid (suhirman.madjid@yarsi.ac.id)

How to cite: Haryadi, C. M., Madjid, S., (2026). Measuring Earnings Quality: The Role of Fiscal Accounting, Accruals, Leverage, and Cash Flow on Earnings Persistence, *Financial Sustainability and Risk (FSR)* 1(2), 109-116



This is an open access article under the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) international license.

1. Introduction

The economic situation in Indonesia in recent years has experienced a fairly severe financial crisis, this has an impact ranging from small companies to large companies and from various types of business fields, in this case the company experienced a fairly large level of loss. In conditions like this, it forces companies that are still surviving to be able to maintain the continuity of their business in order to compete with other companies, so the company needs additional funds. The funds will certainly be obtained by the company if it gets the trust of creditors or investors, that trust can be obtained if the company is able to show good performance. One of which can be measured from the profit that can be seen from the financial report.

Financial reports are evidence of management's accountability for the management of company resources to interested parties which are used as a basis for making management decisions, such as assessing the company's performance by management, determining the company's compensation for management, providing dividends to shareholders and so on. There are several factors that affect profit persistence, one of which is the difference between accounting profit and fiscal profit (book tax differences). Book tax differences are the difference between taxable income according to tax regulations and before taxation according to financial accounting standards. Book tax differences affect profit persistence because they can provide information about the quality of current profits (Widyaningsih and Handayani 2020).

Accounting profit is net profit during a period before deducting tax expense calculated based on applicable accounting principles, profit is said to be persistent when the company can maintain the amount of profit obtained currently until the future and when cash flow or actual affects the profit obtained next year. If the company's accounting profit increases and is able to maintain the amount of profit, then the company's profit persistence can be achieved. Conversely, if the company's accounting profit decreases, this makes the company unable to achieve its profit.

Fiscal profit can be used as a benchmark for evaluating accounting profit, where if fiscal profit increases, it will reduce accounting profit in a company. This will affect the persistence of the company's profit because the profit obtained will decrease due to the results of the fiscal reduction (Rahmayani 2020). Based on the definition between the two, the difference between accounting profit and fiscal profit is profit caused by the difference between accounting standards and the Tax Law.

The phenomenon related to the difference between accounting and fiscal profit is in the Enron company which experienced a case of manipulation of its financial statements. This can be seen when the Enron company went bankrupt. The issue of financial statements experienced by the Enron company can also be used as an example to reflect whether the difference between accounting and fiscal profit is a trigger for the possibility of a red flag for low profit quality (Rini Wati Pakpahan 2017).

What affects earnings persistence is discretionary accrual. Discretionary accruals in accounting are known as actual basis and cash basis, discretionary accruals are part of the actual that can be controlled by management by changing certain estimates so that it will affect the profit information to be reported. High discretionary accruals result in bias in profit information so that it can reduce its benefits in describing the company's performance to support decision making (Louw 2022).

The case that occurred at Bank Century, this case occurred because of the manipulation of the bank's financial statements to cover up the losses experienced so that the financial statements look better than they actually are. The reason is to maintain the bank's reputation and positive image, as well as to meet the expectations of shareholders and regulators (Gaol 2010). This phenomenon is in accordance with previous research by (Widyaningsih and Handayani 2020) namely because discretionary accruals decisions are in the hands of management, through discretionary accruals managers can increase, decrease and smooth their profits without having to violate existing accounting standards. So if the company's discretionary accrual (earnings management) is higher, the persistence

of profits will decrease, because of the manipulation of financial statements which makes it difficult to predict future profits.

The level of debt also affects the persistence of earnings because every company wants to develop its company by adding debt for additional capital (Agustian and Susi 2020). Leverage is a ratio used to measure the extent to which a company's assets are financed by debt (Kasmir 2017:113). The higher the level of debt in a company causes the company to have a large interest burden so that it can affect the current year's profit and future profit estimates, this shows that leverage affects the persistence of earnings (Acharysyah and Purwanti 2018).

2. Literature Review and Hypothesis

Fiscal Profit

The difference between accounting profit and fiscal profit is commonly referred to as book tax differences. Tax regulations in Indonesia require that fiscal profit be calculated based on the accounting method that is the basis for calculating accounting profit, namely the actual method, because at the end of each year companies are required to conduct fiscal reconciliation in order to determine the amount of fiscal profit by making adjustments to accounting profit based on tax regulations (Achmad Ali Fikri, Syamsul Arifin 2022). The reason for the difference between accounting profit and fiscal profit can be seen in commercial financial statements and fiscal financial statements because they have different recognition principles, different accounting methods and procedures, different recognition of income and expenses, and different treatment of income and expenses (Irwansyah, Situmorang, and Widyowati 2021).

Leverage

Companies with high leverage levels will encourage management to improve operations so that the promise can be fulfilled on time. The higher the level of debt in the company, the company will have a large interest burden so that it can affect the current year's profit and future profit estimates, this shows that leverage affects profit persistence (Acharysyah and Purwanti 2018). One of the financial ratios that provides an overview of the relationship between a company's debt and the company's capital or assets is leverage. Companies that have debt will have interest that needs to be paid, this interest is a cost that can reduce income tax. Interest expenses that are deductible will cause the company's taxable profit rate to decrease (Dhian Andanarini Minar Savitri 2017).

Earnings Persistence

Profit is one of the important components and is a concern for shareholders and potential investors. Profit is also an important component in decision making. Persistent profit is profit that functions as a predictor of future income that will be generated by the company in the long term (Asriyanti, Widya Yusni & Gunawan 2022). Persistent profit is expected by stakeholders to reduce stakeholder anxiety in the investment decisions taken.

Research Concept Framework

The framework of thought in this study will explain how the influence of differences between accounting profit and fiscal profit, discretionary accrual, leverage, and cash flow affects profit persistence.

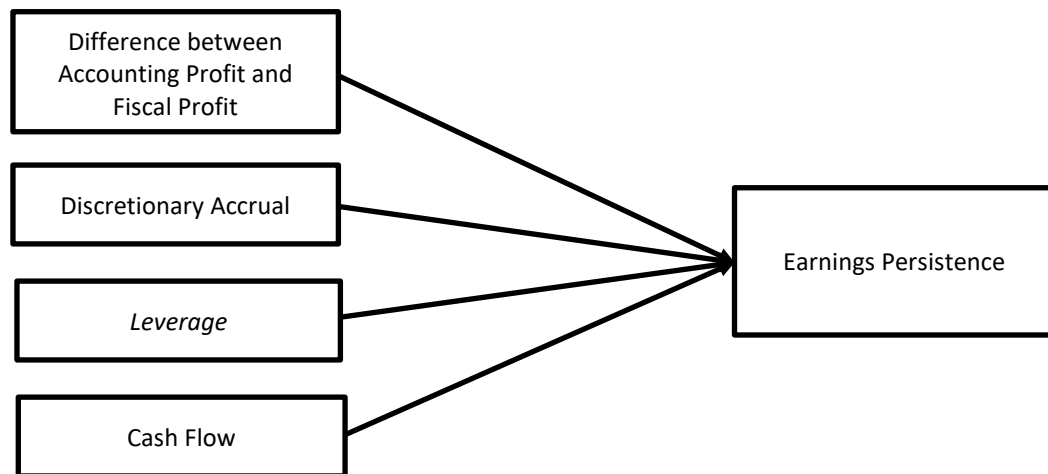


Figure 1. Research Conceptual Framework

Research Hypothesis

The Influence of Differences Between Accounting Profit and Fiscal Profit on Profit Persistence

The difference between accounting profit and fiscal profit is due to differences in recording profits based on Financial Accounting Standards (SAK) with applicable tax regulations. The greater the difference between accounting profit and fiscal profit of a company, the lower the quality of the company's profit (Acharysyah & Purwanti 2018). Changes in profit quality will affect profit persistence because changes in profit that occur in each period can affect the estimated profit expected in the future. The results of Rahmayani's (2020) study showed that the difference between accounting profit and fiscal profit did not have a significant effect on profit persistence. This indicates that when a company experiences a fiscal correction due to the difference between accounting profit and fiscal profit, the company is unable to obtain profit persistence.

H1: The Difference Between Accounting Profit and Fiscal Profit Has a Positive Effect on Profit Persistence

The Effect of Discretionary Accruals on Earnings Persistence

Profit in accounting financial statements is often used by stakeholders such as investors or potential investors for decision making. And this decision will determine which company they will invest in, so that management has the possibility to engineer its profits in order to attract investors and potential investors to invest their investments. Research conducted by Widyaningsih & Handayani (2020) shows that discretionary accrual has a significant negative effect on profit persistence. Because the decision on discretionary accrual lies with management, management can increase or decrease or smooth its profits without having to violate existing financial accounting standards. So if the company carries out discretionary accrual, profit persistence will decrease.

H2: Discretionary Accruals Have a Positive Influence on Earnings Persistence

The Effect of Leverage on Earnings Persistence

Leverage describes how a company can manage its assets sourced from debt, the higher the level of debt can increase profit persistence. Profit persistence is a ratio used to measure a company's ability to meet company obligations by measuring the extent to which the company's assets are financed by debt (Fitri 2017). The results of research by Agustian & Susi (2020) that leverage has a positive effect on profit persistence in property and real estate companies. Because the higher the level of debt will make the company always maintain its profit level in order to maintain the company's image looking good in the eyes of investors or creditors.

H3: Leverage Has a Positive Effect on Earnings Persistence

The Effect of Cash Flow on Earnings Persistence

Cash flow is a cash flow that comes from operating activities that involve the influence of cash from transactions involved in determining net income. For example, such as cash receipts from the sale of goods or services and cash payments to suppliers and employees to obtain inventory and to pay expenses. With a sufficient amount of cash flow from operating activities, the company does not need to rely on financing from outside parties, thus the company's capital structure remains. The results of research by Widyaningsih & Handayani (2020) that Cash flow has a significant negative effect.

H3:Cash FlowNegative Impact on Earnings Persistence

3. Data and Method

Types of research

The type of research used in this study is quantitative. Quantitative research methods are a way used to answer research problems related to data in the form of numbers and statistical programs.

Population and Sample

The population in this study is the property & real estate sub-sector listed on the Indonesia Stock Exchange since 2019-2021. The population used in this study consists of 80 companies listed on the IDX in 2019-2021. The sampling technique in this study uses purposive sampling. Sampling is determined by certain criteria. The sampling technique in this study uses purposive sampling. Sampling is determined by certain criteria.

Method of collecting data

The data collection method used is by documentation, by looking at the annual financial reports of sample companies obtained from the official website of the Indonesia Stock Exchange (IDX). In this study, secondary/quantitative data was collected regarding the company's financial reports needed in the study through the website (IDX) and researchers can also take data sources through library literature, secondary data sources through books, journals and sites related to the research topic. The statistical method used to analyze data and test hypotheses is by using descriptive statistics and multiple regression using the help of Microsoft Excel2013 and SPSS 25.0 software.

4. Results

Table 1. Results of Autocorrelation Test Runs Test

Runs Test	
	Unstandardized Residual
Test Valuea	-47859,09040
Cases < Test Value	18
Cases >= Test Value	18
Total Cases	36
Number of Runs	24
Z	1,522
Asymp. Sig. (2-tailed)	0.128

The results of table 1 above show that Asymp. Sig. (2-tailed) 0.128 which means more than 0.05 means H0 is accepted so it can be concluded that the residual is random or there is no autocorrelation between residual values.

Hypothesis Testing

Partial Test (t-Test)

Table 2. Partial Test Results (t-test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0.011	0.011		-0.993	0.328
Accounting Profit & Fiscal Profit	-4,142	1,680	-0.469	-2,466	0.019
Discretionary Accruals	0.009	0.005	0.341	1,873	0.071
Leverage	0.002	0.028	0.010	0.056	0.956
Cash Flow	8,288E-15	0,000	0.209	1,245	0.223

The partial test results show that the difference between accounting profit and fiscal profit and discretionary accruals have a significant effect on profit persistence, while leverage and cash flow do not have a significant effect. This indicates that accounting factors are more determinant of profit sustainability than financial structural factors.

Coefficient of Determination Test

Table 3. Results of the Determination Coefficient Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.452a	0.204	0.101	0.02490666964

The value of R² based on the results of the analysis above obtained a value of 0.204. Thus, the magnitude of the influence given by the variables Difference in Accounting Profit with Fiscal Profit, Discretionary Accruals, Leverage, and Cash Flow on Profit Persistence is 20.4% while the remaining 70.6% is influenced by other factors not examined in this study.

5. Discussion

The Impact of Differences Between Accounting Profit and Fiscal Profit

Based on table 2, it can be interpreted that the difference between accounting profit and fiscal profit does not affect profit persistence. This means that the greater the difference between accounting profit and fiscal profit will not be followed by an increase in profit persistence and vice versa, the smaller the difference between accounting profit and fiscal profit does not affect profit persistence. The results of this study are in line with research conducted by (Widyaningsih and Handayani 2020) which states that the difference between accounting profit and fiscal profit does not have a significant relationship with profit persistence.

The Influence of Discretionary Accruals on Earnings Persistence

Based on table 2, which means that discretionary accruals affect earnings persistence, because discretionary accruals decisions are in the hands of management. The conclusion of this analysis can be interpreted that through discretionary accruals, a manager can increase, decrease or smooth his profits without having to violate existing financial accounting standards. So if the company increasingly carries out discretionary accruals (earnings management), then earnings persistence will decrease, because of manipulation in financial reporting that will affect the profits to be received in the future. The results of this study are in line with (Setianingsih 2014) which shows that the discretionary accruals variable affects earnings persistence. Because of manipulation in financial statements.

The Effect of Leverage on Earnings Persistence

Based on table 2, it can be concluded that leverage does not affect earnings persistence. This means that high leverage in a company does not affect earnings persistence. Likewise, the lower the leverage, the less the leverage, the less the effect on earnings persistence. This result is in line with Barus and Rica (2014) who stated that leverage does not affect earnings persistence. One possible cause is that companies, regardless of their debt levels, are still able to manage operational activities efficiently and maintain stable financial performance through managerial strategies or cost efficiency. On the other hand, the lack of leverage can also be caused by conservative accounting policies or flexibility in managing interest expenses and long-term liabilities that do not directly reflect fluctuations in accounting earnings. Therefore, leverage is not a single indicator that can be relied on to assess the quality and sustainability of a company's earnings.

The Effect of Cash Flow on Earnings Persistence

Based on table 2, it can be concluded that cash flow has no effect on profit persistence. This means that the greater the cash flow in a company has no effect on profit persistence and vice versa, the smaller the cash flow has no effect on profit persistence. The results of this study are in line with Imas Nurhafifah, Dirvi Surya Abbas, and Hesty Ervianni Zulaecha (2022) who stated that there is no effect between cash flow and profit persistence.

6. Conclusion

This study concludes that of the four variables studied differences between accounting and fiscal profits, discretionary accruals, leverage, and cash flow only discretionary accruals were shown to have a significant effect on earnings persistence in property and real estate companies listed on the IDX for the 2019–2021 period. This suggests that earnings management practices through discretionary accruals can reduce long-term earnings quality. Meanwhile, differences in earnings, leverage, and cash flow were not shown to significantly affect earnings persistence.

The managerial implication is that company management should minimize the use of discretionary accruals to maintain the quality and sustainability of reported earnings. Transparent and accountable financial reporting disclosure is essential for investors to assess company performance more realistically, thereby creating market confidence and supporting sustainable investment decisions.

Recommendation

Company management should not use the difference between accounting and fiscal profit as the main benchmark in evaluating the sustainability of financial performance or in formulating long-term profit strategies. Instead, companies need to focus more on the quality of accounting profit generated from real operational activities and not just fiscal reconciliation. In addition, companies are advised to align accounting and tax policies more transparently so as not to create a manipulative perception for users of financial statements, especially investors and creditors.

References

- Achmad Ali Fikri, Syamsul Arifin, M. Fuad Fahrudin. (2022). Pengaruh Perbedaan Laba Akuntansi Dan Laba Fiskal (Book-Tax Difference) Terhadap Pertumbuhan Laba (Studi Empiris Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Pada Tahun 2014 – 2017). 2(8.5.2017):2003–5.
- Achyarsyah, Padri, and Asri Jumi Purwanti. (2018). Pengaruh Perbedaan Laba Komersial Dan Laba Fiskal, Pajak Tangguhan, Dan Leverage Terhadap Persistensi Laba. *Jurnal Ilmu Akuntansi* 16(2):56.
- Agustian, and Susi. (2020). Pengaruh Kepemilikan Manajerial, Ukuran Perusahaan, Leverage, Fee Audit, Arus Kas, Konsentrasi Pasar, Tingkat Utang, Dan Box Tax Difference Terhadap Persistensi Laba (Studi Kasus Pada Perusahaan Property Dan Real Estate Yang Terdaftar Di Bursa Efek Indone. *Platform Riset Mahasiswa Akuntansi* 01(02):38–47.

- Asriyanti, Widya Yusni & Gunawan, Juniati. (2022). Pengaruh Leverage Dan Arus Kas Operasi Terhadap. *Ekonomi Trisakti* 2(2):1035–48.
- Barus, Andreani Caroline, and Vera Rica. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Persistensi Laba Pada Perusahaan Manufaktur Di Bursa Efek Indonesia. *Jurnal Wira Ekonomi Mikroskil* 4(2):71–80.
- Dhian Andanarini Minar Savitri, Ita Nur Rahmawati. (2017). Pengaruh Leverage, Intensitas Persediaan, Intensitas Aset Tetap, Dan Profitabilitas Terhadap Agresivitas Pajak. 8(November):64–79.
- Fitri, Raisa. (2017). Pengaruh Kebijakan Dividen, Leverage Perusahaan Dan Profitabilitas Terhadap Return Saham (Studi Pada Perusahaan Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bei). 11:32–37.
- Gaol, Helen Lumban. (2010). Menguak Skandal Bank Century. *BBC Indonesia* 1. Retrieved https://www.bbc.com/indonesia/laporan_khusus/2010/02/100213_bankcenturystory
- Imas Nurhafifah, Dirvi Surya Abbas, and Hesty Ervianni Zulaecha. 2022. Pengaruh Arus Kas Dan Book Tax Differences Terhadap Persistensi Laba Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia (BEI). *Digital Bisnis: Jurnal Publikasi Ilmu Manajemen Dan E-Commerce* 1(3):46–56. doi: <https://doi.org/10.30640/digital.v1i3.377>
- Irwansyah, Rizal, Monang Situmorang, and Mutiara Puspa Widyowati. (2021). Pengaruh Perbedaan Permanen Dan Perbedaan Temporer Terhadap Pertumbuhan Laba (Pada Perusahaan Manufaktur Subsektor Makanan Dan Minuman Yang Terdaftar Di BEI Periode 2014-2018). *Jurnal Online Mahasiswa (JOM) Bidang Akuntansi* 8(2):1–8.
- Kasmir. (2016). *Pengantar Manajemen Keuangan: Edisi Kedua*. Prenada Media.
- Kasmir. (2017). *Analisis Laporan Keuangan*. Jakarta: Rajawali Pers.
- Louw, Febrian. 2022. “Kajian Berbagai Faktor Yang Memengaruhi Kualitas Laba.” 13(1):49–61.
- Rahmayani, Melia Wida. (2020). JAKSI Jurnal Akuntansi Keuangan Dan Sistem Informasi. *Jurnal Akuntansi Keuangan Dan Sistem Informasi* 1:12–27.
- Rini Wati Pakpahan, Tri Jatmiko Wahyu. (2017). Pengaruh Book Tax Differences Terhadap Kualitas Laba. 6(2013):1–13.
- Setianingsih, Anik. (2014). Pengaruh Perbedaan Laba Akuntansi Dan Laba Fiskal, Discretionary Accrual, Dan Aliran Kas Terhadap Persistensi Laba.” *Universitas Islam Negeri Syarif Hidayatullah, Jakarta*.
- Widyaningsih, Shella Wati Ika, and Sri Handayani. (2020). Pengaruh Book Tax Differences, Discretionary Accrual, Dan Aliran Kas Terhadap Persistensi Laba Pada Inudstri F&B Di BEI Periode 2011-2015. *JCA Ekonomi* 1(1)