

ABSTRACT

The objective of this study is (1) to find the indication of sticky cost behavior in Indonesian manufacturing firms. (2) To investigate how a firm's view towards organisation capital-related economic sacrifices affects the stickiness of selling, general and administrative (SG&A) expenses and (3) to examine how firm's asymmetric cost behavior influences earnings forecasts using cost variability and cost stickiness model (CVCS), primarily the accuracy of CVCS earnings forecasts.

This study employs Anderson, Banker, and Janakiraman (ABJ) model to identify the sticky cost behaviour on selling, administration and general (SG&A) expenses. For measurement economic value of organisation capital, this study employs Venieris et al. (2014) models, as for measurement accuracy of earnings forecast presented in Absolute Forecast Errors (AFE) models. Sample of this study are 95 firms of manufacturing companies listed in Indonesia Stock Exchange during 2005-2014.

This study found that selling, general and administrative (SG&A) expenses increase 0,498% when sales increase 1%. Whereas, the selling, general and administrative (SG&A) cost decrease 0,388% per 1% decrease in sales. The empirical findings suggest that in the case of firm's with high (low) organisation capital, SG&A expenses exhibit sticky (anti-sticky) cost behavior. As for earning forecast, result indicates that firms with anti-sticky cost behavior have more accurate earning forecast than firms with sticky.

Keywords: *Sticky cost phenomena; Organisation capital; Cost behavior; Earnings forecast.*