

ABSTRACT

The aim of this research is to examine the ability of accrual in predicting companies future cash flow. The term of accrual refers to accounts in the financial statement which are recorded by accrual basis. The accounts are components in the cash flow statement, especially cash flow from operating activities. Capability of accrual as a predictor of future cash flows is identified through the accuracy of future cash flows prediction. This research also to examine the significance influence of the company's specific situation that associated with the level of accounting manipulation.

The population of this research is firms which have been listed on the stock exchange Indonesia in 2012-2016. Sampling method is simple random sampling. The number of samples are 113 companies or 565 observations. The research will compare the ability of cash flow and accrual with the ability of cash flow to predict the future cash flow. The comparison that used in this research is statistical method by Paired Sample T-test. This research also to examine the significance influence of the company's specific situation that associated with the level of accounting manipulation specific. The examination that used is Multivariate Linear Regression.

The result of this research shows that the ability of cash flow and accruals will be better in predicting the future cash flow than the ability of cash flow only. The research also shows that the company's specific situation that associated with the level of accounting manipulation such as needs of financing, and the level of accrual subjectivity have a significant and negative effect on the ability of accrual in predicting future cash flow. However, the research also shows unexpectedly that firm's size has a significant and negative effect on the ability of accrual in predicting future cash flow.

Keywords: cash flow, accrual, prediction of future cash flow, accounting manipulation