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THE ABILITY OF GROSS PROFIT, OPERATING PROFIT, NET PROFIT, AND WORKING CAPITAL IN PREDICTING FUTURE CASH FLOWS (Empirical Study of Companies Listed in the Jakarta Islamic Index)

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Abstract: Users of financial statements make forecasts regarding the future situation of the entity in order to anticipate opportunities and identify potential risks. Gross profit, operating profit, net profit, and working capital are important pieces of information for investors because they allow for the prediction of future cash flows. However, for companies listed on the Jakarta Islamic Index, there is instability in gross profit, operating profit, net profit, and working capital, which leads to changes in cash flow. The research is of an associative quantitative nature, with a research population consisting of 50 companies listed on the Jakarta Islamic Index from 2019 to 2022. By using a purposive sampling technique, a sample of 24 companies was obtained, resulting in a total sample size of 96 samples over the span of 4 years. The data used is secondary data, collected through the official IDX website at www.idx.co.id. The analytical method employed is multiple linear regression. The findings of the study indicate that gross profit and working capital have a significant impact on the ability to predict future cash flows. However, operating profit and net profit do not possess the same predictive power. Furthermore, the study reveals that gross profit, operating profit, net profit, and working capital collectively contribute to the prediction of future cash flows with an impressive explanatory power of 89.3%.

Keywords: gross profit, operating profit, net profit, working capital, future cash flow

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INTRODUCTION

Users of financial reports make forecasts regarding the entity's future situation in order to predict opportunities and identify potential risks. Financial reports allow investors to analyze management's business results and estimate future profits. On the other hand,

investors can also use financial reports to calculate future cash flows.

Forecasting cash flows is an important matter for all interested parties, but it is more important for investors and creditors. For auditors and management, future cash flow forecasting is used to assess the entity's current operational performance and forecast finances for the future, for example, checking that cash flow is sufficient to repay borrowed funds, provide dividends, maintain the company's operational capacity and invest without debt. to third parties.

Meanwhile, for creditors, estimates of future cash flows are used to assess the company's ability to pay current liabilities. Investors use estimates of future cash flows when deciding whether to invest. Investors carry out capital investment if there is a return from the capital invested in the form of dividends and interest earned by the entity and has quality liquidity when viewed from the entity's net cash flow. Cash flow can be used as a benchmark in evaluating the ability to create cash and assets equivalent to cash, as well as evaluating an entity's need to use cash. The amount of investor confidence in the entity is caused by the large cash flow from the entity's operations.

A financial report that discusses estimates of future cash flows, namely the profit and loss statement. The income statement conveys information on the company's business results which is used to evaluate possible changes in financial resources that can be managed in the future. This information is useful in predicting the company's capacity to create cash flow from available resources and is useful for establishing the entity's efficiency in using additional resources.

Gross profit comes from the difference between the entity's revenue and the cost of goods sold(Abdullah, 2013). This income value does not only come from cash transactions, but income also comes from transactions generated on credit, which means there is an opportunity to receive cash flow in the future period. Therefore, it is concluded that gross profit can be used to predict future cash flows.

Operating profit is the difference between sales and all operational expenses. Operating profit can be used to assess how far the entity's performance is in creating income from its core activities(Lasmi, 2016). Operating profit influences future cash flow forecasting, because operational costs used in the company's main business are taken into account in the value of operating profit. However, operational expenses are accrual because there are still costs to be paid and payments in advance, so they will affect the entity's financial position in the future.

Net profit is the remainder of net sales over the cost of goods sold minus business costs and income tax(Lasmi, 2016). Net profit can also be used to predict cash flow because it shows the value provided to investors and company profits that can be given as dividends. As an increase in net profit increases cash flow in the future, it can increase the entity's capacity to provide dividends to investors.

Based on the importance of working capital, a very strong relationship was found between working capital needs and sales development. The increase in turnover is related to additions, receivables, inventory and cash balances. Meanwhile, when sales fall, it can affect the current assets section. Working capital is a measure of current assets that are desired to have a positive value, making working capital capable of being utilized in cash forecasting in the future. This is because working capital influences the continuity of the entity's operations in increasing capital for a long time so that it has an impact on future cash growth.

Table 1 Data on the Phenomenon of Companies Registered with JII for the 2019-2022 Period

Issuer Code	Year	Gross profit	Operating profit	Net profit	Working capital	Cash flow
ACES	2019	3,887,090,318,844	1,359,479,904,663	1,023,636,538,399	3,586,175,214,869	1,255,018,477,387
	2020	3,659,181,805,722	986.866.801.695	731.310.571.351	4,189,809,112,114	2,219,784,801,023
	2021	3,212,648,831,788	847.802.075.200	704.808.586.631	4,469,570,705,861	2,543,833,653,523
	2022	3,267,952,778,368	871,411,473,500	673,646,864,480	4,693,161,378,234	2,133,399,081,620
BSDE	2019	5,066,065,950,126	3,739,677,195,974	3,130,076,103,452	18.086.215.834.231	6,864,044,121,089
	2020	4,251,843,237,741	1,723,432,937,400	486.257.814.158	16,531,611,463,457	10,508,135,948,416
	2021	4,740,050,960,862	2,818,467,140,023	1,538,840,956,173	17.429.864.448.184	7,766,937,331,640
	2022	6,826,040,341,832	3,997,285,241,122	2,656,885,590,302	18,253,821,881,273	9,734,419,239,987
CPIN	2019	7,975,167,000,000	5,006,561,000,000	3,642,226,000,000	7,875,114,000,000	1,961,373,000,000
	2020	8,254,983,000,000	5,144,330,000,000	3,845,833,000,000	8,175,364,000,000	2,677,813,000,000
	2021	8,138,825,000,000	4,922,254,000,000	3,619,010,000,000	7,878,959,000,000	1,666,307,000,000
	2022	8,144,040,000,000	3,935,931,000,000	2,930,357,000,000	7,922,101,000,000	1,692,730,000,000
CTRA	2019	3,791,742,000,000	2,176,342,000,000	1,283,281,000,000	9,826,487,000,000	4,237,924,000,000

Issuer Code	Year	Gross profit	Operating profit	Net profit	Working capital	Cash flow
	2020	4,121,335,000,000	2,644,551,000,000	1,370,686,000,000	9,036,182,000,000	5,275,686,000,000
	2021	4,839,818,000,000	3,409,120,000,000	2,087,716,000,000	10,953,465,000,000	7,161,587,000,000
	2022	4,567,581,000,000	3,131,522,000,000	2,003,028,000,000	12,791,172,000,000	9,042,192,000,000
JPFA	2019	7,871,850,000,000	3,217,504,000,000	1,883,857,000,000	5,131,190,000,000	1,004,280,000,000
	2020	7,429,209,000,000	2,265,493,000,000	1,002,376,000,000	5,737,459,000,000	1,335,911,000,000
	2021	8,020,091,000,000	3,533,273,000,000	2,130,896,000,000	7,096,987,000,000	1,085,116,000,000
	2022	7,683,156,000,000	2,763,360,000,000	1,490,931,000,000	7,589,028,000,000	1,811,082,000,000

Source: BEI Published Financial Report, 2023

In Table 1.1, there is instability in gross profit, operating profit, net profit and working capital which results in changes in cash flow. This can be observed in Ace Hardware Indonesia Tbk.(ACES), PT Bumi Serpong Damai Tbk. (BSDE), and JAPFA Comfeed Indonesia Tbk. (JPFA), the company's gross profit fell in 2020, but its cash flow increased. Next in 2021 PT Bumi Serpong Damai Tbk. (BSDE) and JAPFA Comfeed Indonesia Tbk. (JPFA), operating profit has increased but cash flow has decreased. Next on Charoen Pokphand Indonesia Tbk.(CPIN),Ciputra Development Tbk.(CTRA), and JAPFA Comfeed Indonesia Tbk.(JPFA) in 2022, net profit will decrease but cash flow will increase. Next at PT Bumi Serpong Damai Tbk. (BSDE) and JAPFA Comfeed Indonesia Tbk. (JPFA), for 2021 the company showed an increase in working capital, but there was a decrease in cash flow compared to the previous year.

RESEARCH METHODS

Research sites

The Jakarta Islamic Index (JII) has been the research location for the last four years, from 2019 to 2022. This is because JII is the sharia stock index with the highest liquidity listed on the Indonesia Stock Exchange.

Types of research

This type of research uses causality associated with quantitative methods. Causal associative research is research that has the aim of determining the relationship between two or more variables, which can be used to create concepts that describe, predict and control a phenomenon (Sugiyono, 2016).

Population, Sample, and Sampling Techniques

a. Population

The population, namely the general area, includes: subjects or objects with specific numbers and characteristics selected to be researched and then concluded (Sugiyono, 2019). All companies listed on JII from 2019 to 2022 are the research population. Calculated from January 1 2019 to December 31 2022, there are 50 companies.

b. Samples and Sampling Techniques

The sample is a component of the number and characteristics of the population (Sugiyono, 2019), so the number of samples used in the research must be able to represent the population. Purposive sampling used as a research sampling technique, namely determining the sample by paying attention to a number of aspects(Sugiyono, 2019), these aspects include:

Table 2 Sampling Technique

No	Information	Amount
1.	Companies listed on the Jakarta Islamic Index (JII) from 2019-2022	50
2.	Companies that do not use the rupiah currency unit.	(12)
3.	Companies that do not present complete financial reports	(1)
4.	Outlier data (negative value or loss)	(13)
	Number of companies that meet the sample criteria	24
	Total sample used in the study (4 years × 24 companies)	96

Source:www.idx.co.id, 2023

Data

The data source for research was obtained from the Jakarta Islamic Index (JII) via the website www.idx.co.id and related companies. Secondary data in the form of company financial reports from 2019-2022, was used for research using data collection techniques in the form of literature and document studies.

Definition of Concepts and Operational Variables

Table 3 Definition of Concepts and Operational Variables

Variable	Concept Definition	Operational Definition	Variable Measurement	Scale
Future Cash Flow (Y)	Cash flow is an analysis of all changes that affect cash in the operating, investment and financial categories (Kariyoto, 2017).	Cash flow is the total cash flow which is the sum of operating, investment and financing cash flows.	Cash and cash equivalents cash flow, end of period	Nominal
Gross profit (X_1 X_1)	Gross profit means the profit earned has not been deducted from expenses which represent the company's liabilities(Kashmere, 2021).	Gross profit is the difference between revenue and cost of goods sold	Gross profit = net sales – cost of goods sold	Nominal
Operating profit (X_2 X_2)	Operating profit is the difference between sales and all operational expenses(Lasmi, 2016).	Operating profit is operating profit which is calculated as the difference between gross profit and operating expenses	Operating profit = gross profit – operating expenses	Nominal
Net profit (X_3 X_3)	Net profit is profit after deducting expenses that are borne by the entity during a certain period, including taxes(Kashmere, 2021).	Net profit is profit derived from operating profit minus interest costs and income taxes	Net profit = operating profit – non-operating costs – income tax	Nominal
Working capital (X_4 X_4)	Working capital is seen as a source of funds to invest in long-term assets or pay off long-term debt (Harahap, 2013).	Working capital is the difference between current assets and current liabilities	Working capital = current assets – current liabilities	Nominal

RESULTS AND DISCUSSION

Classic Assumption Test

a. Normality test

Used to check whether the dependent variable and independent variables are distributed normally or not (Ghozali, 2018). This test uses Kolmogorov-Smirnov. There are a number of techniques for determining whether residuals are normally distributed to ensure that statistical tests remain valid even when using small samples. The Kolmogorov-Smirnov test is one of them. It is said to be normal if it is significant > 0.05. However, it is not normal if it is significant < 0.05.

Table 4 One-Sample Kolmogorov Smirnov Test

One-Sample Kolmogorov Smirnov Test

		Standardized Residuals
N		96
Normal Parameters, b	Mean	,0000000
	Std. Deviation	,97872097
Most Extreme Differences	Absolute	,072
	Positive	,072
	Negative	-,071
Statistical Tests		,072
Asymp. Sig. (2-tailed)		,200c,d

Source: Processed Secondary Data, 2023

Shown in table 4 is the One Kolmogorov-Smirnov test result of 0.200, proving significance above 0.05. So it is stated that the regression model can be applied and the data is normally distributed.

b. Heteroscedasticity Test

Used to check whether differences in variance appear between the remaining studies in the

regression model (Ghozali, 2018). This research uses the Glejser Test which identifies the presence of heteroscedasticity through regression on the absolute residual value of the independent variable. accepted if significant <0.05, where heteroscedasticity occurs. However, rejected if significant >0.05, where heteroscedasticity does not occur.

Table 5 Glejser Heteroscedasticity Test Results

Coefficientsa					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	279957,493	100316,266	2,791	,006
	Sqrt_Gross Profit	,056	,112	,498	,620
	Sqrt_Operating Profit	,221	,202	1,093	,277
	Sqrt_Net Profit	-,162	,170	-,953	,343
	Sqrt_Working Capital	-.035	,055	-,642	,523

a. Dependent Variable: ABSRESID_SQRT

Source: Processed Secondary Data, 2023

In table 5, each independent variable has a significance value above 0.05. This proves that there is no heteroscedasticity.

c. Multicollinearity Test

Applied to check whether the regression model between dependent variables is correlated (Ghozali, 2018). Carrying out multicollinearity tests between independent variables can be detected in several ways, one of which is using the partial correlation method. This is done by comparing the partial correlation value in each independent variable and the R Square value. When the R Square value is higher than the partial correlation (independent variable), it can be concluded that there are no symptoms of multicollinearity (Ghozali, 2013).

Table 6 Multicollinearity Test Regression Results

Coefficientsa									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partials	Part
1	(Constant)	-341192,681	171637,088		-1,988	,050			
	Sqrt_Gross Profit	-,068	,191	-,066	-,357	,722	,813	-,037	-,016
	Sqrt_Operating Profit	1,304	,345	1,056	3,777	,000	,840	,368	,172
	Sqrt_Net Profit	-,916	,291	-,665	-3,150	,002	,799	-,314	-,144
	Sqrt_Working Capital	,642	,094	,589	6,815	,000	,865	,581	,311

a. Dependent Variable: Sqrt_Future Cash Flow

Source: Processed Secondary Data, 2023

From the results of the multicollinearity test that has been carried out and presented in table 6, you can see a comparison of the partial correlation values for each independent variable and R Square, namely all partial correlation values of the independent variables. smaller than the R Square value, therefore multicollinearity was not found between the independent variables in the regression model.

d. Autocorrelation Test

Because observations are sequentially related to each other over time, an autocorrelation test is carried out. The autocorrelation test in this study uses the Durbin Watson test which requires a regression model with an intercept variable (constant) and no more variables between the independent variables.(Ghozali, 2018). Two DW table values, Durbin Watson Upper (DU) and Durbin Watson Lower (DL), will be compared with the Durbin Watson values obtained.

Table 7 Statistical Values of the Durbin Watson Test

Model Summary b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,900a	,811	,802	672711,387700	1,023

a. Predictors: (Constant), Sqrt_Working Capital, Sqrt_Gross Profit, Sqrt_Net Profit, Sqrt_Operating Profit

b. Dependent Variable: Sqrt_Future Cash Flow

Source: Processed Secondary Data, 2023

Table 7 shows DW is 1.023. This value will be compared withDL is worth 1.5821 and DU is worth 1.7553. Because DW is in the region 0 ≤ DW ≤ DL, it shows the information in the model has a positive autocorrelation problem.

In handling autocorrelation problems, variable transformation with estimation (rho) with the Cochrane-Orcutt method must be carried out to solve it, then produces a test autocorrelation as follows:

Table 8 Autocorrelation Test Results

Model Summary b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,840a	,706	,693	556816,25390	1,915

a. Predictors: (Constant), Lag_MK, Lag_LB, Lag_LK, Lag_LO

b. Dependent Variable: Lag_AK in the Future

Source: Processed Secondary Data, 2023

Table 8 shows DWworth1,915. This value will be compared withDL is worth 1.5821 and DU is worth 1.7553 in the Durbin-Watson basic points table. Because DW is in the DU < DW < 4-DU region, it shows that the information in the model is declared free from autocorrelation.

Multiple Linear Regression Analysis

The multiple linear regression model is a mathematical model that can be used to describe the relationship between these variables. Multiple linear regression analysis is used to observe how two or more independent variables (X) simultaneously influence the dependent variable (Y).

Table 9 Multiple Linear Regression Analysis Test Results

Coefficientsa				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-1973329562000,000	591375997000,000	
	Gross profit	,414	,165	,423
	Operating profit	-,170	,441	-,119
	Net profit	-,065	,428	-.035
	Working capital	,762	,082	,702

a. Dependent Variable: Future Cash Flows

Source: Processed Secondary Data, 2023

In table 9, a regression equation can be created to see how much the independent variable has on the dependent variable, namely:

Y = -1973329562000 + 0.414 (Gross Profit) - 0.170 (Operating Profit) - 0.065 (Net Profit) + 0.762 (Working Capital) + ε

Information:

Y = Future cash flow

= Standard error/nuisance variable

Hypothesis testing

a. Partial Test (t Test)

The partial test shows the extent to which the individual impact of the independent variables explains the various dependent variables (Ghozali, 2018).

Table 10 Partially Significant Test

Coefficientsa					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	-1973329562000,000	591375997000,000	-3,337	,001
	Gross profit	,414	,165	2,506	,014
	Operating profit	-,170	,441	-,385	,701
	Net profit	-,065	,428	-,152	,880
	Working capital	,762	,082	9,322	,000

a. Dependent Variable: Future Cash Flows

Source: Processed Secondary Data, 2023

Through the partial test (t test) shown in table 10, the following conclusions can be drawn:

a) Gross Profit's Ability to Predict Future Cash Flows

It can be observed that the value of the gross profit variable > that is, as big as 2.506 > 1.66177 and the significance value is 0,014 < 0.05, then reject and accept. So the hypothesis that gross profit can have an influence in predicting future cash flows is accepted.

H1: Gross profit can have an influence in predicting future cash flows

b) The Ability of Operating Profit to Predict Future Cash Flows

It can be observed that the variable value of operating profit < that is, as big as 0.385 < 1.66177 and the significance value is 0,701 > 0.05, thenaccept and reject. So the hypothesis that operating profit can have an influence in predicting future cash flows is rejected.

H2: Operating profit is unable to influence predictions of future cash flows

c) The Ability of Net Profit to Predict Future Cash Flows

It can be observed that the value of the net profit variable < that is, as big as 0.152 < 1.66177 and the significance value is0,880> 0.05, thenaccept and reject. So the hypothesis that net profit can have an influence in predicting future cash flows is rejected.

H3: Net profit is unable to influence predictions of future cash flows

d) Working Capital Ability to Predict Future Cash Flows

It can be observed that the variable value working capital > that is, as big as 9.322 > 1.66177 and the significance value is 0,000 < 0.05,then reject and accept. So the hypothesis that working capital can have an influence in predicting future cash flows is accepted.

H4: Working capital can have an influence in predicting future cash flows

b. Simultaneous Test (F Test)

The simultaneous test is intended to gain an understanding of whether the independent variables simultaneously influence the dependent variable (Ghozali, 2018).

Table 11 Simultaneous Significant Test

ANOVAa					
Model		Sum of Squares	df	F	Sig.
1	Regression	113599148000000000000000000000,000	4	190,840	,000b
	Residual	135421307200000000000000000000,000	91		
	Total	127141278700000000000000000000,000	95		

a. Dependent Variable: Future Cash Flows

b. Predictors: (Constant), Working Capital, Gross Profit, Net Profit, Operating Profit

Source: Processed Secondary Data, 2023

From table 11 it can be observed > that is, as big as190,840 > 2.47and the significance value is 0.000 <0.05, then reject and accept. So the hypothesis which states that gross profit, operating profit, net profit and working capital can have an influence in predicting future cash flows is accepted.

H5: Gross profit, operating profit, net profit and working capital can have an influence in predicting future cash flows.

c. Coefficient of Determination Test

Coefficient of determination describes how much cash flow in the future (dependent variable) can be explained by gross profit, operating profit, net profit and working capital (independent variables) together.

Table 12 Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,945a	,893	,889	3857649846000,000

a. Predictors: (Constant), Working Capital, Gross Profit, Net Profit, Operating Profit

Source: Processed Secondary Data, 2023

The results of the coefficient of determination test are presented in table 3.9, with an R Square of 0.893 or 89.3 percent. This proves that the ability of the independent variables (gross profit, operating profit, net profit and working capital) to explain the effect on future cash flows (dependent variable) is 89.3 percent. Meanwhile, variables that were not in this study had an influence of 10.7 percent.

Discussion

1. Gross Profit's Ability to Predict Future Cash Flows

Based on the research results, it is known that predicting future cash flows in companies listed on JII can be influenced by gross profit variables. The results of this research are in line with signaling theory and research by Fitriya and Diana (2020) and Novia (2020) which reveal that gross profit has an impact on predicting future cash flows.

Gross profit is an important figure because the translation of gross profit shows that calculating gross profit includes sales minus the cost of goods sold. So if the company does not receive sufficient profits from trading/providing products to cover costs directly related to the products sold, then the company will not be able to survive for long. From the review above, it can be concluded that gross profit is more appropriately used as a cash flow forecasting tool than operational profit and net profit.

This is because gross profit is presented first compared to the other two profit figures when preparing an income statement, so the gross profit report contains fewer income and expense elements than other profit indicators. The more detailed the profit indicators are calculated, the more accounting methods can reduce the quality of profits, which allows managers to use calculation methods that provide benefits to certain parties.

2. The Ability of Operating Profit in Predicting Future Cash Flows

Based on the research results, it is known that predicting future cash flows in companies listed on JII cannot be influenced by operating profit variables. The results of the research are in line with research by Novia (2020) and Putri et al. (2022), which reveals that operating profit does not have a significant impact on future cash flow forecasting. The reason for the rejection is because there are different company policies for measuring or determining company operating costs.

These results are not in line with signaling theory because investors do not look at the entity's operating profit when carrying out cash flow predictions. This occurs due to differences in entity policy or management in managing company costs. In other words, operating profit must still take into account expenses for the company's operating costs from its operating activities. In addition, there are large variations in the gross profit values of the 96 samples. Meanwhile, gross profit is an element that has an influence on a company's operational profit. The difference between an entity's gross profit and operating expenses is operating profit. Therefore, operating profit does not affect future cash flow estimates.

3. The Ability of Net Profit in Predicting Future Cash Flows

Based on the research results, it is known that predicting future cash flows in companies listed on JII cannot be influenced by the net profit variable. The results of the research are in line with the research of Nurlita et al. (2019) and Novia (2020) which reveal that net profit does not have a significant effect on future cash flow estimates. The reason for rejecting this research hypothesis is that companies have different policies when defining or measuring the parts that

constitute the entity's operating, investment and financing activities.

These results are not in line with signaling theory because investors do not look at net profit when making cash flow predictions. The net profit value is received from reducing operating profit with non-operating expenses and income taxes. This refers to taxes that affect the value of net profit. Taxes have their own calculations which are difficult to predict due to policy changes, in addition, tax adjustments carried out by tax institutions make the net profit value also difficult to use as a tool for forecasting future cash flows.

Net profit is presented first when preparing the cash flow statement. Even though large companies earn high profits, this does not provide a guarantee that the company will have sufficient funds to pay debts and fund its operational activities. This depends on how the company evaluates the elements reported as operational, investment and financing actions of the company. If these three activities produce large cash flows that exceed the net profit received, then the company will actually suffer losses or be unable to function effectively.

4. Working Capital Ability to Predict Future Cash Flows

Based on the research results, it is known that predicting future cash flows in companies listed on JII can be influenced by working capital variables. The results of this research are in line with signaling theory and research by Nasrollah and Hassan (2013) which suggests that working capital has a significant impact in predicting a company's future cash flows and research conducted by Helda (2016) which reveals that working capital has the ability to predict future cash flows. Nasrollah and Hassan argue that this is because working capital is seen as a tool that supports the entity's operational activities.

This result occurred because based on the importance of working capital, a very strong relationship was found between working capital needs and sales development. The increase in turnover is related to additions, receivables, inventory and cash balances. Meanwhile, when sales fall, it can affect the current assets section. Working capital is a measure of current assets that are desired to have a positive value, making working capital capable of being utilized in cash forecasting in the future. This is because working capital influences the continuity of the entity's operations in increasing capital for a long time so that it has an impact on future cash growth.

Working capital has an important role in an entity's operations. Apart from that, working capital management also has a specific purpose. Therefore, every company tries to meet working capital needs to increase liquidity. Then, when working capital is met, the company is also able to optimize its profits. Companies that experience limited working capital can have a negative impact on the company's sustainability, resulting in failure to achieve the expected liquidity and profitability goals. One standard of management efficiency is the fulfillment of working capital. Working capital is necessary for long-term business management so that it can effectively increase cash resources in the future.

5. The Ability of Gross Profit, Operating Profit, Net Profit, and Working Capital in Predicting Future Cash Flows

Simultaneous test results (Test F) prove this predicting future cash flows in companies listed on JII can be influenced simultaneously by gross profit, operating profit, net profit and working capital. The results of the research are in line with signaling theory and research by Putri et al. (2022) which reveals that gross profit, operating profit, net profit and working capital simultaneously have an impact on future cash flows.

Kieso (2005)Ariani (2010) as quoted by Novia (2020) believes that profit and loss statements are useful for users to forecast cash flows, for example to assess the company's historical capabilities and measure the risk or uncertainty of cash flows in the future. This cash flow is a component of income information such as income, costs, and profits or losses which shows the relationship between components and can be used to measure the risk of certain cash flow levels in the future.

According to Nasrollah and Hassan (2013) operational working capital can best predict future cash flows. Based on the importance of working capital, a very strong relationship was found between working capital needs and sales development. The increase in turnover is related to additions, receivables, inventory and cash balances. Meanwhile, when sales fall, it can affect the current assets section. Working capital is a measure of current assets that are desired to have a positive value, making working capital capable of being utilized in cash forecasting in the future.

This is because working capital influences the continuity of the entity's operations in increasing capital for a long time so that it has an impact on future cash growth.

Working capital is necessary for long-term business management so that it can effectively increase cash resources in the future. Working capital is current assets minus current liabilities. Working capital can also be seen as a source of funds to invest in long-term assets or pay off long-term debt(Harahap, 2013).

CONCLUSIONS, IMPLICATIONS AND SUGGESTIONS

Conclusions

The following are the research conclusions on the test results on the hypotheses and data analysis that have been reviewed:

1. Partial gross profit can have a significant influence in predicting future cash flows.
2. Partial operating profit is unable to have a significant effect in predicting future cash flows.
3. Partial net profit is unable to have a significant effect in predicting future cash flows.
4. Partial working capital can have a significant effect in predicting future cash flows.
5. Gross profit, operating profit, net profit and working capital can simultaneously have an influence in predicting future cash flows.

Implications

1. Theoretical Implications

Based on the research results, the theoretical implications of this research are as follows:

a. Future cash flow predictions can be affected by gross profit and working capital. For entities that have high gross profit and working capital, this can increase cash flow in the future. In other words, these variables can be used as considerations by investors to determine decisions.
b. Predict future cash flows Not capable of being affected by operating capital and net profit. For entities that have high operating profits and net profits, they cannot reduce or increase cash flows in the future. In other words, these variables cannot be used as considerations by investors to determine decisions.

2. Policy Implications

Researchers can provide policy implications that need to be considered for funders who wish to invest funds in companies listed on JII, when it comes to factors that influence the prediction of future cash flows. Basically, financial reports are used as data that is useful for decision making if the reporting is provided in accordance with the characteristics of financial reports.

Company policies used to determine or measure components related to gross profit, operating profit, net profit and working capital have a significant influence on the ability to predict future cash flows. Companies that have high gross profit and working capital values will increase cash flow in the future. This is because gross profit is presented first compared to the other two profit figures when preparing an income statement, so that the gross profit report contains fewer income and expense elements than other profit indicators and because working capital is seen as a tool that supports the entity's operational activities.

Suggestions

Researchers provide advice to interested parties, namely:

1. For companies listed on the Jakarta Islamic Index (JII), pay attention to current financial performance which will definitely influence the company's future prospects. Not only that, the company is also able to improve its business management to achieve the best results.
2. For investors, the results of this research are a benchmark and investors must look at cash flow when considering investment decisions, the aim of which is to reduce investment risk and obtain a return on the capital invested.
3. It is recommended that future researchers add independent variables that can influence future cash flow forecasting and change the research location to get more representative results.

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