

ABSTRACT

Profit is fundamental and important of the financial statements and have many uses in a variety of contexts. Profit is a good measurement tool to measure the performance of companies. With profit, a company can maintain its life and develop for the sake of its business's progress. Earning persistence is one of the ways to estimate the profit's quality by predicting the profit in the future. This is useful, especially for the investors in allocating the right amount of fund to be invested.

The objective of this research was measured to determine the effect of variable operating cash flow (OCF), book tax differences, and Leverage (LE) either simultaneously or partially to the variable earning persistence (EP) as well as the variable most dominant influence on earning persistence. Book tax differences variable is projected with temporary difference (TD) variable because of the differences between accounting and fiscal policy.

The type of this research is descriptive verification that is causality. The number of manufacture companies automotive subsector listed on the Indonesia Stock Exchange (BEI) over the period 2011-2015 were entered as the population register is a total of 13 companies. The sampling technique chosen is a kind of nonprobability sampling that is purposive sampling. Based on the sampling technique has done, only 10 companies were valid. Model analysis of the data in this research is using panel data regression analysis with Eviews 8.0. software.

Based on the results of this research, it showed a combination of operating cash flow (OCF), temporary difference (TD), and leverage (LE) can explain or influence the dependent variable earning persistence (EP) 35%, while the remaining 65% influenced by other variables outside the research that is not included in this model. The results also showed simultaneously OCF, TD, and LE significant effect on EP.

Through partial test results obtained showed that the variables OCF and LE significant effect with the positive direction of the EP. TD variables did not significantly affect EP.

Keywords: Operating Cash Flow, Book Tax Differences, Temporary Differences, Leverage, Earning Persistence