

Abstract

The users of financial statement are interested to know how the entity generates and uses the cash and its equivalent. The information about cash flow is useful for the users as a based to measure the ability of entity to generate cash and its equivalent, and also for the possibility to develop the model to measure and compare the present value of future cash flow of many entities.

The purposes of this research are to know the influence of liquidity and profit to predict future cash flow, and also see the indication whether the earnings management relates to cash flow from operation and accrual is occurred. This research uses 37 companies as samples which are listed in LQ 45 Index in Indonesian Stock Exchange for period 2008-2011. Sampling method is purposive sampling. This research uses multiple regression with two predictors. It is expected that Liquidity and Profit would predict future cash flow.

The results of this study are there is a significant influence of Net Income to Cash Flow. It indicated that there is no earnings management practice through accrual. There is no significant influence Current Ratio and Quick Ratio to Cash Flow, it indicated the ability of company to pay its current liabilities not affected the cash flow. Adversely, the cash flow affect the ability of company to pay its current liabilities.

Keywords: Current Ratio, Cash Flow, Liquidity, Net Income, Quick Ratio