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The Effect of Gross Profit to Predict Operating Cash Flow at PT. Unilever Indonesia TBK

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***Abstract**. This study aims to analyze the effect of gross profit on the prediction of operating cash flow at PT. Unilever Indonesia. Gross profit is calculated as the difference between revenue and cost of goods sold, including cash and credit sales, indicating the potential cash inflows expected from customers in the future. The study uses a quantitative method with secondary data obtained from PT. Unilever Indonesia's official website. The results show gross profit significantly impacts the company's operating cash flow prediction. Over the last five years, PT. Unilever Indonesia's gross profit has increased by an average of 2% per year since 2019. Meanwhile, operating cash flow, calculated from customer receipts and various operational payments, shows fluctuations, with a 3% increase in 2019 and 2021 but only a 1% increase in 2022-2023. This decrease is due to differences in the payment of remuneration to directors and employees, which affects cash flow. These findings highlight the importance of gross profit in predicting operating cash flow in the future.*

***Keywords**: Gross profit, cash flow, PT. Unilever Indonesia*

1. INTRODUCTION

Every company listed on the Indonesia Stock Exchange is required to submit its financial statements every year. These financial statements are the basis for investors to decide whether to invest or hold their funds, especially financial statements containing profits and cash flows (Chen, 2009). The ability to predict profit on operating cash flow is a special concern, considering PT Unilever Indonesia is a leading consumer goods company with highly complex operational transactions.

Conceptually, gross profit is the difference between revenue and cost of goods sold before deducting the Company's operational expenses (Jordan, 2015). Compared to operating and net profit, gross profit's simpler components make it more relevant in predicting operating cash flow because they minimize distortions due to different accounting policies (Nurlita, 2019). This aligns with the argument that gross profit calculation includes fewer components of income and costs, making the figures more objective for predictive analysis (Binilang, 2017).

Cash flow reports in a company are presented to provide information about cash, such as management, creditors, and investors, especially regarding the company's cash in a certain period (Cerniati, 2020). Cash flow statements, as an integral part of a company's financial

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statements, present data on its cash condition from its operations, investments, and funding activities.

Gross profit is the difference between revenue minus the cost of goods sold (Soemarso, 2004:226). Where the value contained in gross profit comes from the revenue earned by the company, which does not entirely come from cash sales but also comes from credit sales, which indicates that there is a possibility of cash inflows that will be received from customers by the company in the future or the future period, this shows that the value contained in gross profit can have an effect in predicting future operating cash flows.

Measuring a company's financial performance is very important for various parties as a basis for decision-making (Rispayanto, 2013). Profit and cash flow are important indicators in assessing a company's financial performance (Hery, 2015). For company management, this prediction can be used in managing future businesses; for owners, the prediction can be used to determine the return on capital, while for creditors, this prediction can be used to assess the ability to repay the loans provided (Wartini, 2013).

The main goal for every company in its development is to pay attention to the extent of the company's financial condition (Fahmi, 2011). The financial sector must receive more attention, especially in the face of the country's ongoing and increasingly complex and uncertain economic situation with fierce competition between companies. To maintain the company's survival in intense competition, handling and managing it well is necessary. In addition to coordinating the efficient and effective use of resources owned by the company, management is also required to produce decisions supporting the company's future achievements. Before investing their funds, prospective investors assess the company's performance prospects because, in general, almost all investments contain elements of uncertainty (Budiyasa, 2015).

Another thing is that financial information contained in financial statements is still believed to be a reliable tool for users to reduce uncertainty in economic decision-making. Prediction or forecasting is used to determine the future state of the business. It is an essential tool for decision-making related to opportunities and risks that will be faced in the future. Predictions are based on the assumptions of the responsible party that reflect the conditions that are believed to occur and the course of action that is expected to be taken. Prediction or forecasting tries to provide information about what is expected to happen.

Economic decisions that users will make regarding financial statements require an analysis to assess or measure the company's ability to generate profits and cash flows, as well as the accuracy of the analysis results. The study carried out can be used to evaluate past events and can also be used to predict future events (Subramanyam, 2014)

Several previous studies have examined the relationship between gross profit and operating cash flow with mixed results. Wartini's (2013) research found that gross profit does not significantly predict cash flow from operating activities (Chen, 2019). However, a study by Marisca (2010) shows that gross profit has the best predictive ability compared to operating profit and net profit in predicting future cash flows (Kartika, 2019). The inconsistency of these findings indicates the need for further research with a more specific context.

PT Unilever Indonesia is an interesting research object, considering its position as a market leader in the consumer goods industry with a large market capitalization. The business characteristics of companies with a relatively short operating cycle and fast cash turnover make the relationship between gross profit and operating cash flow more relevant to be analyzed (Ariani, 2010). In addition, the stability of PT Unilever Indonesia's financial performance over the years makes it a good benchmark for testing the predictive ability of gross profit.

From a theoretical perspective, the ability of gross profit to predict operating cash flow can be explained through signaling theory. The company's reported gross profit signals stakeholders about the outlook for operating cash flow (Aminatus, 2024). This theory emphasizes that quality gross profit information will reduce information asymmetry between management and stakeholders in assessing the company's operating cash flow potential.

This research is also relevant to the practical needs of stakeholders. For investors, the ability to predict operating cash flow is essential in assessing the liquidity and sustainability of the Company's business (Nurlita, 2019). Meanwhile, understanding the relationship between gross profit and operating cash flow for management can help in financial planning and more effective working capital management.

With the availability of future-oriented information, users of financial statements, be it investors, creditors, and other decision-makers, can see the opportunities and risks the company faces in the future. From the above background, the author is interested in researching the Effect of Gross Profit to Predict Operating Cash Flow at PT. Unilever Indonesia Tbk.

2. THEORETICAL STUDY

In the corporate world, gross profit and operating cash flow are essential in assessing financial performance. Gross profit is the leading indicator that describes how efficient the company is in generating profits from its main operational activities, namely product sales, after deducting the cost of goods sold (BPP). Meanwhile, operating cash flow reflects a company's ability to generate cash from its operating activities that can be used to fund other activities such as investments or debt servicing (Brigham & Houston, 2019). As a large multinational company, PT. Unilever Indonesia is a relevant example of observing the relationship between gross profit and operating cash flow. This study analyzes how gross profit can be used to predict the operating cash flow of PT. Unilever Indonesia is a critical topic for the company's business sustainability.

Gross Profit and Its Importance in Assessing Company Performance

Gross profit is calculated by subtracting the cost of goods sold (COGS) from the revenue received by the company. HPP covers the direct costs of producing goods and services, such as raw materials, direct labor, and other costs associated with the production process. Therefore, gross profit provides a direct picture of the company's production efficiency and price competitiveness in the market (Atrill & McLaney, 2019).

Gross profit has enormous significance in accounting and financial management. A high gross profit value indicates that the company can keep production costs low and obtain a healthy profit margin from its sales. Conversely, a decline in gross profit could indicate a problem in the cost structure or a decrease in product competitiveness. Penman (2013) explains that gross profit can provide early signals regarding a company's financial health, including its ability to survive tight market competition.

Operating Cash Flow and Its Relationship to Gross Profit

Operating cash flow is obtained or paid from the company's operational activities. Cash received comes from the sale of goods and services, while money paid is related to operational costs such as payments to suppliers, employees, and other operational expenses (Brealey, Myers, & Allen, 2017). Operating cash flow is vital because it ensures the company has sufficient liquidity to fund operational activities and investments without relying on external financing (Higgins, 2012).

Although gross profit and operating cash flow come from two concepts, they are closely related. For example, credit sales reflected in gross profit are not always directly proportional to cash that went into the company in the same period. This is due to the existence of time factors that affect the realization of cash receipts from customers. A decline in cash income can occur even if gross profit shows good numbers (Tirole, 2006). Therefore, accurate prediction of operating cash flow is highly dependent on a deep understanding of the dynamics of gross profit owned by the company.

Cash Flow Prediction Based on Gross Profit

Gross profit can be a useful prediction tool for operating cash flow. Still, this prediction should consider various factors that can affect the difference between the profit generated and the actual cash received by the company. Credit sales, customer payment policies, and variations in operational costs can affect the accuracy of such predictions (Healy & Palepu, 2012).

However, despite this, gross profit remains one of the early indicators that is quite effective for predicting future cash flows. Research by Lins, Servaes, & Tamayo (2017) shows that companies with stable and increasing gross profits tend to have better cash flow in the future. The stability of gross profit reflects the company's ability to manage production costs and maintain good relationships with customers, which ultimately affects the stability of operating cash flow.

The Role of Gross Profit in Assessing Company Liquidity

Success in predicting operating cash flow is also related to the company's ability to maintain its liquidity. Stable or increasing gross profit gives a positive signal regarding a company's liquidity, as higher revenues tend to support better cash flow. On the other hand, if gross profit experiences a decline or sharp fluctuations, the company may have difficulty maintaining liquidity.

3. METHOD

Researchers use quantitative and causal associative research to analyze the influence of gross profit in predicting operational cash flow. Associative research analyzes the causal relationship between independent (gross profit) and dependent (operating cash flow) variables. The data used is secondary data in the form of PT's financial statement data. Unilever Indonesia, Tbk, was downloaded through the company's official website.

Data collection is carried out using the documentation method, namely collecting, recording, and reviewing secondary data in the form of PT's financial statements. Unilever Indonesia. The financial statements used start from 2019-2023. The analysis technique used in this study is Simple Linear Regression, which uses the SPSS version 23 application to determine the effect of gross profit on the operating cash flow of PT. Unilever Indonesia. Tbk

With the formula:

$$\boxed{y = a + bX}$$

Where:

Y = Dependent variable is a variable that is influenced or results from an independent variable. And in this study, the variable that is tied is Gross Profit

X = Independent variable is the variable that causes the bound variable. A free variable in this study is cash flow prediction.

a = Constanta

b = Regression coefficient

4. RESULT AND DISCUSSION

Financial statements are reports that contain financial information. Data was obtained from PT's gross profit and cash flow operating gross profit. Unilever Indonesia. From the results of a simple regression analysis with the help of the SPSS 22 program in this study, the results of the regression equation were obtained, which stated that the equation of the effect of gross profit (X) on cash flow (Y) was as follows:

Table 1 Gross Profit Streamer in Predicting Cash Flow

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3021376,737	1394863,110		2,166	,119
	Gross Profit	,294	,081	,904	3,653	,035

a. Dependent Variable: Cash Flow

From the results of the regression analysis, the regression equation was obtained as follows

$y = \alpha + be + x$

$y = 3021376{,}737 + 0.0294$

Thus, every addition of 1 Gross Profit value (X) increases by 0.294, and the cash flow (Y) is 3021376,737.

H_0: It is suspected that gross profit does not influence the prediction of cash flow in PT. Unilever Indonesia

H_a: Gross profit is suspected to influence PT's operating cash flow prediction. Unilever Indonesia.

H_0 : $\mu > 0{,}01$

H_a : $\mu < 0{,}05$

So, from the data above, a calculation of 3,653 was obtained with a significance value of 0.035 < 0.05. Then, Ha is acceptable, which means that there is a real (significant) influence of variable (X) gross profit on variable (Y) cash flow.

The gross profit received from net sales and cost of production in 5 years is as follows:

Table 2. Gross Profit of PT. Unilever Indonesia Tbk from 2019 to 2023

Year	Gross Profit
2019	Rp. 13.881.120, 00
2020	Rp. 15.778.488, 00
2021	Rp. 17.099.121, 00
2022	Rp. 18.648.969, 00
2023	Rp. 20.459.096, 00

The study's results obtained data on gross profit at PT Unilever Indonesia in five years: 2019 (16%), 2020 (18%), 2021 (20%), 2022 (22%), and 2023 (24%). The Cash Flow Statement received from Receipts from customers, Remuneration payments of directors and employees, Payments of non-retirement long-term work remuneration, Employee loans, Net Payments for service expenses and royalties in 5 years are as follows:

Table 3. Cash Flow Statement of PT. Unilever Indonesia Tbk in 2019 – 2023.

Year	Gross Profit
2019	Rp. 6.697.869, 00
2020	Rp. 8.050.777, 00
2021	Rp. 8.408.796, 00
2022	Rp. 8.321.711, 00
2023	Rp. 8.888.300, 00

The study obtained operating cash flow data from five years at PT Unilever Indonesia. It increased annually from 2019 (17%) to 2020 (20%), 2021 (21%), 2022 (21%), and 2023 (22%).

The results show that gross profit has a significant influence on the prediction of operating cash flow in the future. Net sales and cost of production determine gross profit; data can be obtained for five years, whereas, in 2019, the gross profit of PT was attained. Unilever Indonesia Tbk experienced an increase of 2% every year. Meanwhile, Cash Flow is obtained data from Receipts from customers, Remuneration payments of directors and employees, Payments of non-retirement long-term work remuneration, Provision of employee loans, Net Payments for service expenses, and data royalties obtained for five years, and it can be seen that the operating cash flow of PT. Unilever Indonesia Tbk experienced an increase that was not as high as in 2019 and 2021. The company received an increase in cash flow of 3%, while from 2022 to 2023, the increase in cash flow obtained was only 1% due to the difference in the payment of remuneration for directors and employees carried out by PT. Unilever Indonesia.

The analysis was used to see if gross profit can predict cash flow, and researchers using the SPSS 23 application obtained the result that gross profit can predict cash flow. With the variable (X) Gross Profit 0.294 and cash flow (Y) 3021376.737 and the hypothesis, then Ha can be accepted, which means there is an actual (significant) influence. This means that when there is an increase in gross profit, the future operating cash flow will also increase, and vice versa. This shows that gross profit can be used to predict future operating cash flows.

Gross profit has better predictive ability than operating profit and net income in forecasting future operating cash flows. Gross profit calculations involve fewer components of revenue and expenses than other profit calculations, so they are more accurate.

5. CONCLUSION

From the results of the research that has been carried out, it can be concluded that gross profit influences the prediction of operating cash flow. These findings have important implications for management in financial planning and investors in making investment decisions. Despite some limitations, this research significantly contributes theoretically and practically to developing accounting and financial management science. The results of this study also emphasize the importance of paying attention to the quality of gross profit as an indicator of the company's operational performance. PT Unilever Indonesia's management needs to maintain and improve operational efficiency to optimize gross profit, ultimately positively impacting the company's operating cash flow.

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