The Effect of Sales and Receivables Turnover on Company Net Profit

Mudjiyono
ITB Semarang
mudjionodaslim123@gmail.com

Abstract
This study aims to find empirical evidence about the influence of sales and receivable turnover on the company's net profit in manufacturing companies listed on the Indonesia Stock Exchange during the period of 2013-2016. The factors tested in this study are sales, receivable turnover, and net income. The method used to select the sample companies in this study was purposive sampling. To test the influence, multiple linear regression at a significance level of 5% with the help of a computer program SPSS version 20.0 for Windows was applied. Based on the partial test results (t test), sales has a significant effect on the company's net profit with a positive direction, while the receivable turnover has no significant effect on net income.

Keywords: sales, receivable turnover, net income

INTRODUCTION

With the development of the business world today, competition especially between similar companies is getting tougher. To be survive in facing the intense competition, management of the company has to necessarily handle and manage the resources properly. In addition to be able to coordinate the use of all resources owned by the company efficiently and effectively, the management must also be able to make decisions that can achieve the company's goals in the future. Companies are also required to be able to determine good company performance, so that they can ensure the survival of the company.

Economic development supports growth of the business world, which means that there are more opportunities for companies to obtain more profits. One way to do this is to determine profitable sales policy for the company. Looking at the economic conditions that are still in the growth stage, companies must have ability to give credit facilities for their customers which can

start from the company's vital activities such as sales. Credit sales which its main purpose is to maintain the continuity of the company in the difficult conditions can arise receivables. Receivables is an asset of a company since most sales are generally made on credit. Implementation of the credit sales policy eases the company to sell its products, get more customers, and expand market share for helping in expanding the business. Credit sales will thus provide greater profits because it requires higher profit than the desired profit in cash sales. Credit sales will affect the product demand especially in the economy condition that has not yet fully recovered as it is today. Currently, buyers prefer to buy products on credit since most of them are not in strong financial condition.

If credit policy is applied, receivables will be higher. As the consequence, the company must wait for payment of the receivables, because there is a grace period between the delivery of goods and the receipt of money. Uncollectible payment of receivables will disrupt financial position of the company especially those with poor cash flow because a lot of working capital is held in the form of these receivables. Management of receivables is thus an important factor for the survival of a business because receivables are source of finance or cash of a company, which benefits for financing operations of the company.

Earning large profit will attract investors to put their capital in the company. Receivables are invoices to the creditors resulted from the sale of merchandises on credit. Ability to accelerate turnover of receivables can minimize the risk of uncollectible accounts and increase future profits. Low uncollectible receivables can increase the company's capital which contributes to earn profit. In relation to profit making, company always needs funds for covering its operating costs. Cash turnover, receivables turnover and inventory turnover of a company can affect changes in the magnitude of its economic profitability.

Financial statements are not only a source of information but also accountability. They also describe indicators of a company's success in achieving its goals. One type of financial statement is income statement which is defined as a summary of the company's revenues and expenses for a certain period and ends with net profit or loss for the period. Profit cannot be the only goal for obtaining maximum profit, company must also manufacture the products in particular volume of sales enabling to obtain sales revenue. Sales volume is defined as all types of goods intended for delivery to consumers or customers regardless the relative amount of rupiah of each type of product or production of the products. Meanwhile, sales income is an increase in owner's capital due to product sales to consumers. Net profit occurs if the income generated exceeds the sacrifaction to obtain the income. If the loss can be charged to operations of the current year (not as a deduction of gross income), it can be treated as a deduction of net income.

Based on this, the research was undertaken to identify the effect of sales and accounts receivable turnover on net income of manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2016. In particular, the objectives of this study are as follows:

a. To test the effect of sales on net income in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2013-2016

b. To test receivable turnover against net income in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2013-2016.

The results of the research provide information and input that can be used as one of considerations for companies in managing sales, accounts receivable and turnover which will help in increasing profits. The results also add and develop insights of researchers especially about managing sales and accounts receivable turnover in increasing profits.

LITERATURE REVIEW

Sale

Sales is a transaction that involves sellers and buyers in business activities of delivering products in the form of goods or services. Cash sales are sales for which payment is received at once (in full), while credit sales are sales made non-cash. In this case, the expected profit is greater than cash sales. The way to find out whether credit purchases can be beneficial for the company in increasing net income is to calculate the receivables turnover rate. According to Horngren, et al (2009:301), sales is another name for sales revenue in which the amount the seller gets from the sale of the merchandise before deducted by the expenses occured on a future basis. According to Winardi (2005:26), sales is the meet of buyer and seller with the aim of exchanging goods and services based on money considerations.

Accounts Receivable Turnover

According to Martono (2010: 95), receivables are company bills to buyers or other parties who sell company's products on credit. Credit sales do not immediately generate cash receipts but give rise to receivables and on the day of maturity there is cash inflow originating from the collection of these receivables. The credit sales policy arising from the existence of these receivables will certainly cause costs for the company. These costs include administration of accounts receivable, cost of capital on funds embedded in receivables, collection fees and costs of receivables that may be uncollectible. However, the cost of receivables can be accepted depending on the increase in company sales.

Accounts receivable occur when a company sells goods or services on credit, not cash. When cash is received, receivables are reduced by the same amount. A high level of receivables will reduce cash flow and bad debt will reduce profits from sales (Atmaja, 2008:395).

Receivables management is also very important for the company, especially in the regards of the issue of controlling the amount of receivables, controlling the distribution and collection of receivables, and evaluating the credit policies implemented by the company. Thus, receivables management is the management of receivables in a way that credit policies are optimal in order to achieve a balance between the costs caused by the credit policies and the benefits derived from these policies. Receivables in a company should always be in a state of rotation.

Payment terms in accordance with company policy are one of the factors that can affect the receivables turnover period due to the binding of capital in receivables. According to Riyanto (2012: 90), the level of receivables turnover can be seen from the number of credit sales during a certain period with the average number of receivables.

Fluctuation of accounts receivable turnover has direct effect on size of the capital invested in receivables. The higher the turnover, the shorter the time bound by capital to receivables. Thus to maintain certain credit sales with increasing turnover will require smaller amount of capital invested in receivables. Riyanto (2012: 90) stated that to measure the level of efficiency of receivables can use two measures, namely the level of receivables turnover and receivables collection budget. This efficiency is used in maximizing the benefits of receivables for the company. The higher the receivables turnover rate, the more efficient the receivables because the faster the receivables are paid off.

The period when a capital is tied up in receivables is very important to compare the average days of collection of receivables with the payment terms set by the company. If the average day of collection of receivables is greater than the predetermined payment deadline, it means that the method of collecting receivables is less efficient. It also means that many customers do not meet the payment terms set by the company.

Profit is an increase in assets in a period due to productive activities that can be divided or distributed to creditors, the government, the shareholders (in the form of interest, taxes, and dividends) without affecting the integrity of the original shareholders' equity. Profit is seen as a predictive tool that helps in forecasting future earnings and future economic events. Profit consists of operating results, or extraordinary, and non-operating results, or extraordinary gains and losses, where the total amount is equal to net income. Ordinary profits are considered to be current and recurring, while extraordinary gains and losses are not. Information about a company's profit can be obtained in the financial statements, namely profit/loss statements. The information is used by internal and external parties of the company to make decisions. A company is said to be successful if in its operational activities it earns profit.

The definition of profit as income minus costs is a structural or synthetic definition because profit is not defined separately from the notion of income and costs. Revenues and costs are included in the definition of profit, so revenues and costs must be defined to interpret profit. So, profit is the result of applying something that has a semantic meaning. Thus profit is not interpreted intuitively. Moreover, the measurement of income and costs according to the GAAP (Generally Applicable Accounting Statement) is based more on the historical cost concept so that the resulting profit is not always equivalent to economic profit which generally takes into account changes in purchasing power and prices. Size of the profit as a measure of the increase in assets is very dependent on the accuracy of the measurement of income and costs.

Profit is only an articulation number and is not defined separately like assets or debt, because profit is one of the potential information contained in financial statements and is very important for internal and external parties of the company. Earnings information is a component of financial statements that aims to assess management performance, help to estimate the ability of

representative earnings in the long term, and assess investment risk. In running its business, every company aims to get the maximum profit possible.

The Effect of Sales and Accounts Receivable

Turnover on net profit

In increasing the number of sales, companies tend to provide credit for their customers. Many companies conduct this to expand and dominate the market as much as possible, which was initially aimed at maintaining the company's survival (going concern) in the midst of a global economic shock. With the emergence of receivables, company requires to work even more optimally on especially on receivables control: collection and collection, so that the policies implemented do not disturb the company's cash flow. Receivables are the element of working capital (current assets) which are quite material and are always in a rotating condition. The size of the receivables is also influenced by the effectiveness of the receivables control applied and is related to the size of the receivables (investment in receivables), because ineffective control results in receivables not being collected on time. A high receiveables turnover rate will automatically make the average collection of receivables to be faster so that investment in receivables and risk are reduced.

The period of collection of receivables has direct positive and significant effect on profitability. The results of this study support the theory stated by Munawir (2012: 76) which states that the greater the days of receivable of a company, the greater the risk of the possibility of uncollectible receivables, and if the company does not reserves for losses, the company has calculated its profits too large. Syamsuddin (2008:270) states "an increase in the average collection of receivables will have a negative effect on company profits". High accounts receivable turnover indicates a high number of sales and absolutely affects revenue. Therefore, efforts to increase sales should also not only rely on the credit sales policy strategy alone but must also pay attention to

efficiency and effectiveness of the receivables themselves. Based on the description above, it is concluded that credit sales must be controlled with a careful and healthy credit policy and profitable for the company, so that sales continue to increase while receivables turnover remains stable or even faster, which in turn will increase net profit.

Previous Research

The research of Deni (2014) titled Influence of Turnover Rate Cash, Accounts Receivable Turnover, and Inventory Turnover to Profitability on Manufacturing Company Listed on the IDX results in that cash turnover, accounts receivable turnover and inventory turnover smultaneously have significant effect on ROA. Partially, cash turnover has negative and significant effect on ROA, while accounts receivable turnover and inventory turnover respectively have positive and significant effect on ROA.

Widasari (2016) in her research titled Influence of Turnover Rate Cash, Accounts Receivable Turnover, Inventory Turnover and Fixed Asset Turnover to Profitability on Goods Industry Company Consumption Registered in BEI results in cash turnover and accounts receivable turnover partially have significant effect on profitability, while inventory turnover and accounts receivable turnover have significant effect on profitability. Fixed asset turnover has no significant effect. Simultaneously, cash turnover, accounts receivable turnover, inventory turnover and fixed asset turnover have no significant effect on profitability.

In their research titled The Effect of Accounts Receivable Turnover and Inventory Turnover on the Profitability of Manufacturing Companies, Rahayu dan Bowo (2014) concluded that cash turnover, accounts receivable turnover and inventory turnover have simultaneous effect on profitability. Partially, cash turnover and accounts receivable turnover do not have significant effect

on profitability in manufacturing companies, only inventory turnover has significant effect on profitability in manufacturing companies.

Karina's (2012-2016) research aims at determining the effect of sales and accounts receivable turnover on net income partially and simultaneously on companies operating in consumer goods industry listed on BEI in 2012-2016. This is a quantitative research using secondary data obtained from financial reports published on the Indonesia Stock Exchange (IDX).

Based on the theoretical framework above, the hypotheses of this study are as follow:

H1: Sales turnover partially has significant effect on increasing the net profit of manufacturing companies

H2: Accounts receivable turnover partially has significant effect on increasing the net profit of manufacturing companies

H3: Sales turnover and accounts receivable turnover simultaneously have significant effect on increasing the net profit of the manufacturing company.

Figure 1 presents the relationship between net profit as the dependent variable and sales and accounts receivable turnover as independent variables.
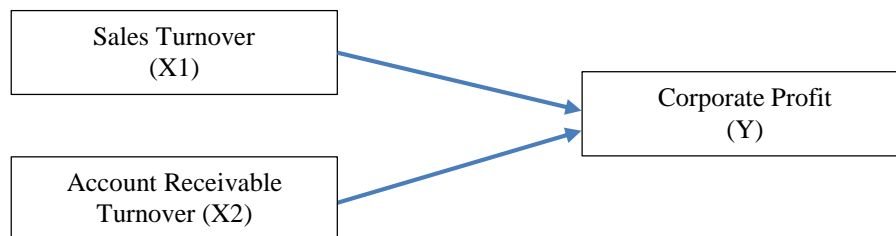

Figure 1. Research Framework

METHODS

Meaning and Purpose of the Research

The research method is a technique of obtaining, collecting, or recording data, both primary and secondary data that can be used for the purposes of compiling scientific papers and then analyzing the factors related to the main issues. The purpose of this study is to develop and evaluate theoretical concepts by testing the hypothesis whether the independent variables significantly affect the dependent variable.

This study examines the effect of sales and accounts receivable turnover on net income in consumer goods companies listed on the IDX in 2013–2016. This study uses secondary data, which is defined as research data obtained indirectly from the source but through intermediary media in the form of evidence, notes, or historical reports arranged in archives published by other parties (Indriantoro & Supomo, 2009:147).

Population and Sample

Sugiyono (2010: 80) states that "population is an area of generalization consisting of objects or subjects that have certain quantities and characteristics to be studied which are determined by researchers and used to draw conclusions." Thus, population of this study are companies operating in consumer goods industry listed on the Indonesia Stock Exchange from 2013 to 2016 amounted as many as 44 companies.

According to Sugiyono (2010:59), sample is part of the number and characteristics of the population. There are various sampling techniques used. The sampling technique used here is non-probability sampling technique, which is a sampling technique that does not give equal opportunities for each element or member of the population to be selected as a sample (Sugiyono, 2010:85). The non-probability sampling technique used in this study is purposive sampling

technique, which is a sampling technique with certain criteria and considerations according to the research objectives. The criteria are as follows:

a. Companies having the financial statements (in the form of balance sheets and income statement) listed on the Indonesia Stock Exchange

b. Companies having the financial statements that has been audited and published in the Indonesia Stock Exchange.

c. Companies show net profit and use rupiah as the currency in their financial statements.

Based on the sampling criteria, there were 26 companies that did not meet the predetermined criteria. Thus, the number of samples used in this study was 22 companies (see table 1).

Table 1. The Sample Companies

No	Code	Issuer Name	No	Code	Issuer Name
1	ADES	PT. Akasha Wira International Tbk	12	MLBI	PT. Multi Bintang Indonesia Tbk
2	CEKA	PT.Wilmar Cahaya Kalbar Tbk	13	MYOR	PT. Mayora Indah Tbk
3	DLTA	PT. Delta Djakarta Tbk	14	PYFA	PT. Pyridam Farma Tbk
4	DVLA	PT. Darya-Varia Laboratoria Tbk	15	ROTI	PT. Nippon Indosari Corpindo Tbk
5	GGRM	PT. Gudang Garam Tbk	16	SKBM	PT. Sekar Bumi Tbk
6	HMSP	PT. HM Sampoerna Tbk	17	SKLT	PT. Sekar Laut Tbk
7	ICBP	PT. Indofood CBP Tbk	18	TCID	PT. Mandom Indonesia Tbk
8	INDF	PT. Indofood Sukses Makmur Tbk	19	TSPC	PT. Tempo Scan Pacific Tbk
9	KAEF	PT. Kimia Farma Persero Tbk	20	ULTJ	PT. Ultrajaya Milk Industry & Trading Co Tbk
10	KLBF	PT. Kalbe Farma Tbk	21	UNVR	PT. Unilever Indonesi Tbk
11	MERK	PT. Merck Tbk	22	WIIM	PT. Wismilak Inti Makmur Tbk

Research Variables

Sugiyono (2014: 96) explains that a variable is an attribute or nature or value of people, objects, organizations, or activities that has particular variations and that is studied by researchers and used to draw conclusions. Research variables are divided into two:

1. Independent Variable (X). An independent variable is a variable that affects or causes the change or the emergence of the dependent variable (Sugiyono, 2009:39). In this research, the independent variables are sales (X_1) and receivables turnover (X_2).

   William G. Nickels (1998:10) states that selling is a process where the seller satisfies all the needs and desires of the buyer in order to achieve sustainable benefits for both the seller and the buyer and benefit both parties. Meanwhile, accounts receivable turnover is the result of sales by the average receivables as a measure of how often accounts receivable are converted to cash in a period. The level of receivable turnover has a direct effect on the size of the capital invested in receivables. The higher the turnover, the faster the turnover, which means the shorter period of time for which capital receivables are tied up, and vice versa. Accounts receivable turnover can be formulated as follow:

$$\text{Account receivables} = \frac{Sales}{Average\ Receivables}$$

2. Dependent Variable (Y). Net profit is the difference between income and expenses. If income exceeds expenses then the result is net (Simamora, 2000:25). The formula used to calculate net income is as follows:

$$\text{Net profit} = \text{Profit before tax} - \text{Income tax}$$

   Net income is a tool for measuring company performance which is reported in the form of periodic financial statements.

   To clarify the concept and operationalization of the variables studied, the independent and dependent variables are presented in table of operational variables as follows:

Table 2. Concept Variable

Variable	Content	Indicator
Sale	Sales are all activities aimed at smoothing the flow of goods and	Total sales = Price sell/unit x Total units available for sale.

	services from producers to consumers in the most efficient way with the aim of creating effective demand (Nitisemito, 1998:13)	
Account Receivable Turnover	Accounts receivable turnover is a ratio that shows the length of time it takes to convert receivables into cash (Riyanto, 2003:289)	Account receivables = $\dfrac{Sales}{Average\ Receivables}$ (Riyanto, 2008:90)
Net profit	Net income is the company's operating income after deducting interest and taxes. (Harmono, 2011:231)	Net Profit = Profit before tax - Income tax (Simamora, 2000:25)

Data Types and Sources

The type of data used in this research is quantitative data. Quantitative data is data in the form of numbers. Accordingly, the data can be processed and analyzed using statistical calculation techniques (Siregar, 2003:17).

This study used secondary data. It is data collected indirectly to obtain information from the object being researched. Usually the data is obtained from secondary source of either individuals or agencies which deliberately is for the purposes of new research for users (Supangat, 2007: 2). Secondary data can be obtained by reading, studying, and understanding through other media sourced, literature and library books, or from companies related to the problem under study and other media such as the internet. The data is in the form of annual financial statements of companies listed on the Indonesia Stock Exchange especially profit and loss statements, which were obtained from the website http://www.idx.co.id/, and also the required data in the form of annual financial reports (annual reports) published by companies, journals, and other literature related to object of research.

Method of Collecting Data

This study uses several data collection methods:

a. Library Research. In order to obtain a strong foundation and concept in order to solve the problem, library research was conducted by reading books, literature, similar research results, and other media related to the problem being studied.

b. Documentation. Collecting data by recording data from reports, records, and archives in several sources, such as the Indonesia Stock Exchange (IDX) and internet media as a search for information about theories and research data needed.

Data Analysis Technique

The data analysis technique used in this research is to use the verification method with a quantitative approach. According to Sugiyono (2010:8), the verification method is a research method based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, quantitative or statistical data analysis with the aim of testing predetermined hypotheses.

In this research, verification analysis includes multiple linear regression analysis, correlation analysis, and coefficient of determination. The regression and correlation analysis are used to study the relationship between two or more variables with the intention to estimate (predict) the magnitude of the verification impact that occurs from changes in one event to other events (Supangat, 2010:325). The data processing was conducted using SPSS statistical software (statistical package for social sciences) version 16. The data were analyzed using descriptive statistical test stages, classical assumption tests (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test), and hypothesis testing (t test, F test, and adjusted R square test).

RESULTS AND DISCUSSION

Descriptive Statistics

This study uses sample of manufacturing companies in the consumer goods or consumer goods sector consecutively during the period from 2013 to 2016 which have data in rupiah and show positive profit. The descriptive statistics for each variable is shown in table 3.

Table 3. Variable Description

	N	Minim	Maxi	Mean	Std. Deviation
Sale	88	192556	95466657	15848172.77	24578946.133
Account Receivable turnover	88	2.92	73.49	12.2135	11.24312
Net Profit	88	2658	12762229	1630088.38	2732623.278
Valid N (listwise)	88				

Source: Processed secondary data, 2018

The company's sales shows an average value of Rp15,848,172.77 million. This means that the average sample company is able to get a sales profit of up to Rp15,848,172.77. The smallest sales value was 192,556, while the largest sales was Rp9,546,665. The standard deviation of sales is Rp24,578,946.133 which indicates a high distribution of sales from the sample companies.

The receivables turnover variable shows the ratio between sales and accounts receivable owned by the company. Table 3 shows that there is an average receivables turnover of 12.2135. This shows that trade receivables on average can rotate up to 12.2136 times in one year. The lowest sales turnover value is 0.2658 and the highest receivables turnover value is 73.49. The standard deviation value is 11.2431 which indicates that there is a variation in the distribution of receivables turnover data which has relatively small variation

The company's net profit variable shows an average value of Rp1,630,088.38 million. This means that the average sample company is able to get a net profit of up to Rp1,630,088.38. The lowest net profit value was Rp2,658 million, while the largest net profit was Rp2,732,623,278 which indicates a high distribution of sales from the sample companies.

Classical Assumptions Test

To get a good model, the regression analysis must meet the absence of deviations from the classical assumptions.

Normality test. The normality test aims to test whether the confounding or residual variables in the regression model have a normal distribution. To find out this graphical analysis with the Kolmogorov Smirnov test was conducted. Regression requires a normal distribution, then the sales and net income data will be transformed into natural logarithms and retested.
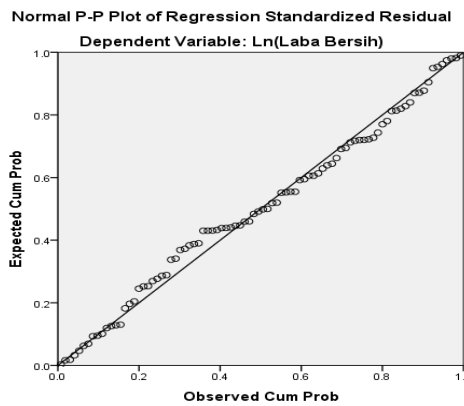

Figure 1. The PP Plot Normality

The PP plot pattern shows a large deviation from the normality assumption of the model used. These results are reinforced by the Kolmogorov Smirnov test as follows.

Table 4. Normality Test with One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		88
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.70056300
Most Extreme Differences	Absolute	.077
	Positive	.055
	Negative	-.077
Kolmogorov-Smirnov Z		.723
Asymp. Sig. (2-tailed)		.673

a. Test distribution is Normal.
c. Calculated from data.

The Kolmogorov Smirnov test resulted from the residuals of the regression model shows the Asymp Sig value. (2-tailed) of 0.673 which is greater than 0.05. This shows that the regression models have normal distribution of residuals.

Multicollinearity test. The multicollinearity test aims to determine the correlation between independent variables in a regression model. To find out whether multicollinearity occurs, it can be seen from the VIF value contained in each variable as shown in table 5.

Table 5. Multicollinearity Test with VIF

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Ln(Sale)	.770	1.299
	Account Receivable Turn Over	.770	1.299

Source: processed secondary data

A regression model is declared a free multicollinearity model if it has a VIF value below 10. From the table it is found that all independent variables have a low VIF value under 10. Thus, there is no multicollinearity problem in the regression model.

Heteroscedasticity test. Heteroscedasticity testing is used to see if there is an inequality of variance in a regression model. A good regression model is a model with no heteroscedasticity. To detect the presence of heteroscedasticity, the Glejser test is used. The results of the heteroscedasticity test is presented in figure 2. The results of the heteroscedasticity test showed a spread pattern. This shows that the model in this study does not have heteroscedasticity problem.
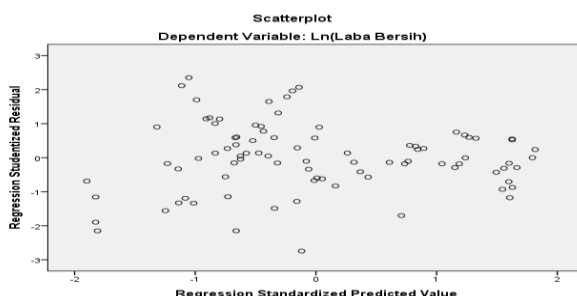
Figure 2. Heteroscedasticity Test

Autocorrelation test. The autocorrelation test is carried out to identify whether there is an autocorrelation between the errors that occurred between the periods tested in the regression model. To find out whether there is autocorrelation, the D-W test value must be seen.

Table 6. Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.937^a	.878	.875	.70876	1.892

a. Predictors: (Constant), Account Receivable turnover, Ln(sale)
b. Dependent Variable: Ln(net profit)

The D-W value was 1.892. While the value of du obtained is 1.74 and dL = 1.62. Thus it is obtained that the value of DW = 1.892 is between dU which is 1.74 and 4 - dU which is 4 - 1.74 = 2.26. Thus, it shows that the regression model is in the autocorrelation-free region.

Analysis Results

The analysis technique used is multiple regression. Data processing is carried out using the SPSS program. The results obtained will then be tested for the significance of the model simultaneously and partially.

F Test Results. The F test is used to see whether the independent variables simultaneously have significant effect on the dependent variable. From the results of simultaneous testing obtained as presented in table 7.

Table 7. F Model Test Results

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	308.059	2	154.030	306.626	.000^b
	Residual	42.699	85	.502		
	Total	350.758	87			

a. Dependent Variable: Ln(Laba Bersih)
b. Predictors: (Constant), Account Receivable turnover, Ln(sale)
Source: Processed secondary data, 2018

The results show that the value of F = 306.626 with probability of 0.009. The value of F table with df_1 = 2 and df_2 = n-k-1= 88-2-1= 85 is 3.10. Thus obtained F arithmetic 306.626 > F table (3.10). The significance value is also smaller than 0.05 which indicates that net income can be affected by the two variables: sales and accounts receivable turnover.

Coefficient of Determination. The results of the adjusted R-Square value from the regression are used to determine the amount of net income which is influenced by the independent variables.

Table 8. Coefficient of Determination Results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Durbin-Watson
1	.937^a	.878	.875	.70876	1.892

a. Predictors: (Constant), Account Receivable turnover, Ln(sale)
b. Dependent Variable: Ln(net profit)
Source: Processed secondary data, 2018

Table 8 shows that the coefficient of determination of the model shown from the adjusted R^2 value is 0.875. This means that 87.5% of the variation in net income can be influenced by

the two variables of sales and accounts receivable turnover, while the remaining 12.5% of net income can be explained by other variables.

Partial test. To determine the effect of each independent variable on the dependent variable, the t test is used. From the results of the regression analysis test as shown in the attachment, it is known that the t value is calculated as follows:

Table 9. The Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-6.576	1.472		-4.467	.000
Ln (sale)	1.140	.052	.947	21.955	.000
1 Account Receivable turnover	-.004	.008	-.021	-.480	.632

Source: Processed secondary data, 2018

- The Coefficient of sales obtained is 1.140, this indicates that an increase in sales of 1 unit will increase net income by 1.140 assuming other variables are constant.

- The coefficient of accounts receivable turnover is -0.004. This indicates that an increase in accounts receivable turnover of 1 unit will decrease net income by 0.004 assuming other variables are constant.

To get the significance of the influence of the two variables on net income, it can be tested as follows:

Hypothesis testing 1: Effect of Sales on Net Profit

From the estimation results of the sales variable on net income, the value of t = 21,955 has probability of 0.000. The value of t table at df = n-k-1 = 88-2-1 = 85 is 1.988. Thus, the counted t (-0.480) is below the t table (1.988). The significance value of t is also greater than 0.05 which

means that the sales variable does not have significant effect on net income. Thus hypothesis 1 is accepted.

Testing hypothesis 2: Accounts receivable turnover has significant effect on increasing profits. From the estimation results of the accounts receivable turnover variable on net income, the value of t = -0.480 with probability of 0.632 is obtained. The value of t table at df = n- k-1 = 88-2-1 = 85 is 1.988. Thus, the counted t (-0.480) is below the t table (1.988). The significance value of t is also greater than 0.05 which means that the accounts receivable turnover variable does not have significant effect on net income. Thus it means that hypothesis 2 is rejected.

It is found that the sales variable has positive coefficient, while the accounts receivable turnover variable has negative coefficient.

Discussion

Effect of sales on net profit. The results showed that the sales obtained had significant effect on net income. This shows that greater sales are seen as being able to increase the company's net profit. The reason for obtaining a significant effect of sales on net income is the view that sales are a basic aspect of company income. When company is able to create large sales and can maintain the costs spent, it will get a higher net profit.

Effect of accounts receivable turnover on net profit. The results indicates that accounts receivable turnover does not have significant effect on net income. This means that companies with high receivables turnover will not always be able to increase the company's net profit. The basic reason for the insignificant effect of receivables turnover on net income is related to the conversion of trade by the company. Sometimes it is not always included in the profit of the company in that year but in the following year's profit.

CONCLUSION

It was found that the company's sales had significant effect on the company's net profit in a positive direction. Companies having large sales will always have high net income. This is in accordance with the direction of the development of the hypothesis 1 in which partially sales turnover has significant effect on increasing the net profit of the manufacturing companies.

It is also found that receivables turnover has no significant effect on net income. Companies having high receivables turnover will not always have higher net income. This is not in line with the direction of the development of the hypothesis 2 in which accounts receivable turnover partially has significant effect on increasing the net profit of the manufacturing companies.

This study still has some limitations both in sample selection and test results. Suggestions that can be made for further research are as follows:

a. These results provide evidence that sales gives better information than that of receivables turnover. Thus, future research can add several other independent variables that are still related to cash conversion such operating cash flow into the regression model.

b. Research can also use more companies and invove longer years of observation to enlarge the sample.

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