Earnings Quality

Accounting & Finance

Signals that reported profit may not be durable.

Signals worth checking.

Warning signs

Profit far exceeding operating cash flow	Receivables growing faster than revenue
Frequent 'one-off' items each year	Capitalising costs peers expense
Changes in accounting policy near a target	

Good signs

Cash flow tracking profit closely	Stable accounting policies over years
Conservative revenue recognition	Clear disclosure of judgements

Educational reference. These are questions to ask, not conclusions — each has legitimate explanations too.