# THE EFFECT OF FIRM SIZE, PROFITABILITY, FINANCIAL LEVERAGE, AND AUDIT QUALITY ON EARNING MANAGEMENT PRACTICE
# (Study Case of Manufacture Companies Listed on Indonesia Stock Exchange in 2011-2013)

***Abstract***

Income smoothing is a general form of earning management. This strategy allows the manager to increase or decrease earning in order to smooth the fluctuation. Income smoothing proxy with index Eckel (1981) which is comparing Cooeffecient Variation (CV) of income variable and CV sales variable. Absolute index is the result of this compatison. The company which has absolute index less than one is categorized as company which conducts income smoothing practice , while the company which has index more than one is categorized as non income smoothing company.

This research purpose is to analyze the effect of firm size, profitability, financial leverage and audit quality toward income smoothing practice on manufactured company which is registered at Indonesia Stock Exchange (IDX) in 2011-2013. This research uses quantitative research method which is classified to causality verificative descriptive research. The Population of consisted manufacture companies that registered in IDX on 2011-2013. The analysis method uses logistic regression.

The result of this study shows dependent variable that can be explained by independent variable as much 8.8%. Firm size and profitability, effect the income smoothing practices, financial leverage and audit quality, did not affect to the company’s income smoothing practice.

**Key word: firm size, profitability, financial leverage, audit quality and earning management practice**