ABSTRACT

Income smoothing is an action performed by the company's management in order to reduce fluctuations earnings. This is done with the motivation to show good performance to investors, by showing a stable corporate profits. Because sometimes, investors only focus on the profits generated by companies in determining investment decisions. Therefore the company performs income smoothing action. Income smoothing is done by adding or reducing the company's actual profit, to be moved to a certain period.

This study was conducted to determine the effect simultaneously and partially variable profitability, leverage and firm size to income smoothing in manufacturing companies listed on the Indonesia Stock Exchange in 2014 - 2016.

This study is use a quantitative research method. Sampling technique used in this study is a purposive sampling technique. The sample in this research are 59 samples in the period of 3 years so that obtained 177 total sample. Analysis technique used in this study is Logistic regression analysis using SPSS 23.0 software.

Based on the result of research, profitability, leverage and firm size have influence simultaneously significant to income smoothing. Where the profitability, leverage and company size variables can affect the income smoothing variable by 7,4%, while the remaining 92,6% is influenced by other factors outside the study. Partially, profitability variables proxied by Return on Assets (ROA) have a positive effect on income smoothing. While the leverage variables proxied by Debt to Asset Ratio (DAR), and firm size variables proxied by the natural logarithm of total asset, do not have an effect on income smoothing.

Based on the results of research that shows a positive influence between profitability to income smoothing, then investors should be more careful in taking investment decisions, with not only focus on high corporate profits, but also paid attention from the company's financial statements as a whole. And for the management of companies with high profitability, should not to do income smoothin, because if proven to do income smoothing, it will harm the company such as make a bad image of the company in the eyes of investors.

***Keywords**: Income Smoothing, Profitability, Leverage, Firm Size.*