ABSTRACT

Profit is one of the very important information in financial statements. Fluctuating earnings tend to show the high risk of the company. Income smoothing is one of the earnings management techniques carried out by management with the aim of reducing fluctuations in profits at a certain level in accordance with what is expected by the company. Income smoothing is measured using the Eckel Index (1981). Index Eckel differentiate between companies that doing the income smoothing or are not doing. Index Eckel use coefficient variation (CV) net income and coefficient variation (CV) net sales . If the results of the index is more than one (1) means the company does not doing income smoothing, while if the results of the index is less than one (1) means the company do the income smoothing

This study aims to determine the effect of independent variables namely Net Profit Margin, Return On Assets, Debt to Equity Ratio, Debt to Asset Ratio to the dependent variable, namely income smoothing practice. The object in this study is a company in the agricultural sector (agriculture) which is listed on the Indonesia Stock Exchange in 2013 to 2017.

The sampling technique in this study using purposive sampling which produces 80 units of the sample with 16 samples within a period of 5 years (five years). The analytical method used is logistic regression analyzes were processed using SPSS 25.

The results of this study indicate a simultaneous influence between the variables Net Profit Margin, Return On Assets, Debt to Equity Ratio, and Debt to Asset Ratio on income smoothing practices in the agricultural sector listed on the Indonesia Stock Exchange 2013-2017. While for the partial effect of the variable Debt to Equity Ratio significant effect on income smoothing practices and the Debt to Asset Ratio have a significant effect on income smoothing practices. However, the Net Profit Margin and Return On Asset variables have no influence on income smoothing practices.

Based on the results of the study, the decision making, especially in investing, can be the main concern or focus, namely by looking at the level of Debt to Equity Ratio and Debt to Asset Ratio owned by a company, especially in the agricultural sector, because these two variables are thought to have motivating practices earnings management.

Keywords: ***Net Profit Margin, Return On Assets, Debt to Equity Ratio, Debt to Asset Ratio, Income Smoothing.***