ABSTRACT

Income smoothing is an effort made by management to deliberately not report earnings or move income from year to year, with the aim that earnings appear to be stable and not fluctuate so that reported earnings are attractive to financial statement users such as investors and creditors. Because investors think companies with stable profits are companies with low risk.

This research was conducted to find out how the simultaneous and partial influence between leverage, cash holding, and company value on income smoothing in companies in the LQ45 index listed on the Indonesia Stock Exchange in 2014-2018.

The method in this study uses quantitative methods with the type of descriptive verification research. The hypothesis in this study was tested using descriptive statistical analysis and logistic regression analysis using SPSS 23.0 software. The sampling technique used in this study was a purposive sampling technique that produced 20 samples of selected companies within a period of 5 years so that 100 sample units of companies in the LQ45 index were listed on the Indonesia Stock Exchange in 2014-2018.

The results of this study indicate that the variable leverage, cash holding, and firm value simultaneously have a significant effect on income smoothing. Partially, leverage and firm value do not significantly influence income smoothing. While the cash holding variable has a significant effect on the positive direction of income smoothing.

For investors the results of this study can be useful information as material for consideration in making investment decisions. Investors are expected to not only focus on the cash holding level of a company because these variables have a significant effect on income smoothing, but investors can see the whole of the company's financial statements.

Keywords: Cash holding, Firm Value, Income Smoothing, Leverage