ABSTRACT

Income smoothing is part of earnings management strategy so the company can report profits with nirmal fluctuation. Companies with normal profits fluctuation will provide a good image for the company and be able to attract attention from stakeholders so that this phenomenon encourage companies to do income smoothing. A manager do income smoothing by deliberately reducing or adding profits that reported.

Income smoothing can be measured by using Eckel Index to separate companies that do income smoothing and do not do income smoothing. Companies with an index less than 1 classified as income smoothing while an index more than 1 classified as not doing income smoothing.

This study using quantitative methods and sampling techniques using purposive sampling. The data in this study are secondary data retrived from Indonesia Stock Exchange's official website. The samples in this study are 16 companies within three years, hence, there are 48 total samples obtained. The analysis techniques using logistic regression using SPSS 23.0.

Based on the results of the study, managerial ownership, company size, and leverage simultaneously have a significant effect on income smoothing. Managerial ownership, company size, and leverage can effect income smoothing 21,9%. Partially, managerial ownership variable has a positive effect on income smoothing. Whereas company size and leverage variables have no effect on income smoothing.

For the company, this study is expected to be one of the considerations for making decision when preparing financial statements and can pay more attention to the impact of income smoothing. For stakeholders, this study expected can provide information before investing in companies and be more careful when observing financial statements so that the adverse effects of income smoothing can be avoided.

Key Words: Managerial Ownership, Company Size, Leverage, Income Smoothing.