ABSTRACT

Income smoothing (income smoothing) is a pattern of earnings management by the company by leveling reported earnings so as to reduce profit fluctuations that are too large because in general investors prefer relatively stable earnings. A company that has a stable profit illustrates that the company has good survival. This is what drives companies to practice income smoothing.

This research was conducted to determine how the simultaneous and partial influence between financial leverage, public ownership, and audit committee on income smoothing in companies included in the 2014-2018 LQ45 Index.

The method in this study uses quantitative methods. The sampling technique in this study used a purposive sampling technique that obtained 19 research samples with an observation period of 5 years, so that 95 sample units were obtained. Data analysis method used in this study is logistic regression analysis using IBM SPSS 25 software.

Based on the results of the study indicate that financial leverage, public ownership, and the audit committee simultaneously influence income smoothing. Meanwhile, partially, public ownership has a positive effect on income smoothing. While the financial leverage variable which is proxied by the debt to equity ratio (DER) and the audit committee has no effect on income smoothing.

Keywords: audit committee, financial leverage, income smoothing, public ownership