

ABSTRACT

Income smoothing is an action taken by company management with the aim of reducing earnings fluctuations so that profits look better in the eyes of investors. Income smoothing has become commonplace for management in an effort to increase the value of the company, but income smoothing can adversely affect the decision making process in investing because companies with unstable profit rates are considered to have greater risk than companies with less profit levels. fluctuating.

The smoothing is done by increasing or decreasing the profit to be reported by moving the income of the more profitable year to the less profitable year. Earnings smoothing is measured using the Eckel Index (1981), the index distinguishes between companies that do income smoothing and those who do not do income smoothing.

The Eckel Index compares the coefficient of variation for changes in net income with the coefficient of variation for changes in sales in one period. If the result is less than 1, then it is classified as a leveler and is included in category 1, while results that are more than 1 are classified as non-income and are included in category 0.

This study aims to determine the effect simultaneously and partially among audit committees, cash holding, and company size on income smoothing in companies included in the 2014-2018 LQ45 Index. The hypothesis in this study was tested using descriptive statistical analysis and logistic regression analysis using Spss 26. The population in this study are companies registered in the 2014-2018 LQ45 Index. The method used for sampling is purposive sampling which produces 22 samples of selected companies within a period of 5 years so that the total sample obtained in this study were 110 samples.

Based on the results of the study, audit committee variables, cash holding, and company size simultaneously have a significant effect on income smoothing. Partially, the audit committee variable has a negative effect on income smoothing. While the cash holding variable and company size variable do not have a positive effect on income smoothing.

Keywords: Income Smoothing, Audit Committee, Cash Holding, Company Size