ABSTRACT

Income smoothing is one pattern of earnings management. The management is trying to stabilize (smoothing) of companies income over several periods. This study aims to analyze the factors that influence income smoothing and it is influence on the firm value by using a sample of 76 manufacturing companies listed on the Indonesian Stock Exchange within a period of four years beginning in 2008 until 2011 with the selection method of purposive sampling.

This study uses Eckel index to classify companies that do or do not practice income smoothing. The variables used in this study is the income smoothing, firm value, profitability, leverage, size and growth of the company. Statistical analysis used in this study was to statistically test using descriptive statistics,regression and logistic regression models through multivariate testing. The results of classification showed a income smoothing practices by public companies on the Indonesian Stock Exchange.

In the multivariate analysis for the four independent variables, only variables of leverage that have a significant effect on the practice of income smoothing. While the profitability, size and growt does not significantly influence the practice of income smoothing. In the regression analysis,income smoothing have not a significant effect on the firm value.

Keywords: income smoothing, firm value, profitability, leverage, size, growth.