

ABSTRACT

This study aims to examine the relationship between corporate governance and income smoothing behavior based on Eckel's model that compare the variability of income and variability of sales.

A purposive sampling method is used in this study to determine the sample from listed manufacturing company in Indonesia during 2011 – 2014 period. The sample was tested by using logistic regression analysis to determine whether there was a relationship between corporate governance and income smoothing or otherwise.

A significant result was found in some of corporate governance mechanism such as proportion of independent commissioner, auditor committee's meeting, and audit quality. Those mechanism proofed to have significant roles in company's income smoothing behavior. However, the other mechanism doesn't have significant result, which conclude that they are not effective in curtailing income smoothing in Indonesia's company.

Keywords : Income Smoothing, Good Corporate Governance Mechanism, Corporate Governance, Eckel's Method