

ABSTRACT

This study aims to analyse and examine empirically the factors that affect income smoothing practice among manufacturing companies listed on the Indonesia Stock Exchange. Factors tested in this study are profitability, financial risk, firm value, managerial ownership, public ownership and dividend payout ratio.

Data collection used a purposive sampling method conducted on manufacturing companies listed on the Indonesia Stock Exchange in the period 2006 – 2010. The hypothesis were tested using multiple regressions to examined the influence of profitability, financial risk, firm value, managerial ownership, public ownership and dividend payout ratio toward income smoothing practice.

The result of this study showed that financial risk and dividend payout ratio has significant influence to income smoothing. Profitability, firm value, managerial ownership and public ownership did not have significant influence to income smoothing.

Keywords : Income smoothing, profitability, financial risk, firm value, managerial ownership, public ownership and dividend payout ratio.