ABSTRACT

The aim of this study is to examine the influence of NPM, ROA, size of the company, and, financial leverage toward practice of income smoothing among manufacture companies listed on the Indonesian Stock Exchange. This study uses eckel index to classify companies that do or do not practice income smoothing.

The sample used in this study is 74 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. Statistical analysis used in this study uses descriptive statistics, and logistic regression models through multivariate testing.

The results of eckel index showed practice of income smoothing by manufacturing companies listed on the Indonesian Stock Exchange. In the multivariate analysis for the four independent variables, only financial leverage that have a significant effect on the practice of income smoothing while the NPM, ROA and size of the company does not significantly influence the practice of income smoothing.

Keywords: income smoothing, NPM, ROA, size of the company, and, financial leverage