

ABSTRACT

The aim of this research is to find out the effect of income smoothing and earning management of long-term stock returns made by the management of an enterprise in a hope for understanding the impact of income smoothing and earning management in an effort to attract investors which compared to firms that do not do income smoothing and earning management.

The samples of this research are primarily manufacturing companies listed in Indonesia Stock Exchange around the years 2004-2008. Sample are gathered using the method of purposive sampling constituting 162 firm years. Hypothesis is tested by the use of multiple regression.

The research reveal that income smoothing has no effect on a long-term stock returns. Income Smoother firms have long-term stock returns are not lower than non-income smoother firms. Research results to firms that reported a smaller income which is have a long-term stock returns are not smaller than a firms that do not.

Keywords : *Income Smoothing, earning management, cumulative return, cumulative abnormal return.*