

ABSTRACT

Income smoothing is a common phenomenon and occurred in several countries. Income smoothing is important, because this practice can be as a distinction behavior rises from conflict among parties having interest on the financial statement of companies, especially income statement. This research is designed to determine the incidence of income smoothing using Eckel index, and also to examine factors that can be identified with the incidence of income smoothing among listed companies at Indonesian Stock Exchange using binary logistic regression.

The factors that are being examined were company's profitability ratio, company's operating leverage ratio, company's ownership structure, and risk of companies. The research was using 66 companies listed in Indonesian Stock Exchange, with a period 2008-2010.

The hypothesis was using binary logistic regression. The first hypothesis was used to examine the influence of company's profitability ratio to income smoothing. The second hypothesis was used to examine the influence of company's operating leverage ratio to income smoothing. The third hypothesis was used to examine the influence of company's ownership structure to income smoothing. The fourth hypothesis was used to examine the influence of risk of companies to income smoothing.

Binary logistic regression test in this research showed that company's profitability ratio, company's operating leverage ratio, company's ownership structure did not have significant influence to income smoothing, and just risk of companies have influence to income smoothing.

Keywords: Income Smoothing, Company's Profitability Ratio, Company's Operating Leverage Ratio, Company's Ownership Structure, Risk of Companies.