ABSTRACT

Income smoothing is a strategy where managers smooth the reported income to reduce its fluctuation. Income smoothing was tested by using Eckel index (1981) to define the companies into smoothers category and non-smoothers category.

This study aims to analyze the determinants of income smoothing practice at companies listed on Jakarta Islamic Index in 2009-2013. Factors that was analized in this study are profitability, financial leverage, firm size, firm value, and dividend policy as independent variables, and income smoothing as dependent variable.

Companies that were studied are the companies listed on Jakarta Islamic Index in 2009-2013. Total 40 samples (8 companies, 5 years) were selected by purposive sampling technique. Analysis method that was used in this study is logistic regression. Data that was used is secondary data. The result of this study shows that, simultanously, independent variables significantly affects dependent variabel. Partially, profitability, financial leverage, and firm size have significant and negative impacts on income smoothing. Firm value has significant and positive impact on income smoothing. Dividend policy does not affect income smoothing.
Keywords : profitability, financial leverage, firm size, firm value, dividend policy, income smoothing