ABSTRACT

Profit-oriented companies generally want high profits. Profit information can be used to estimate the company's ability to generate profit in the future, to interpret risks in investing and others. If profits at the company fluctuate, then there is a possibility for investors and potential investors assume that the company has a high risk, so it can reduce the motivation to make an investment. Management can make income smoothing as an alternative that can be done if the profit in the company is not stable.

This study uses two types of variables, namely independent variables (profitability, firm size, leverage and foreign ownership) and the dependent variable (income smoothing). The purpose of this study is to determine the effect of profitability, firm size, leverage and foreign ownership of income smoothing mining companies listed on the Indonesia Stock Exchange (IDX) either partially or simultaneously.

Mining companies listed on the BEI 2013-2016 are selected as research populations. The purposive sampling technique was used for sampling and obtained 13 companies with a period of four years to obtain 52 observed data. Data analysis model in this research is logistic regression by using software SPSS 23.

The results showed that profitability, firm size, leverage and foreign ownership simultaneously affect the income smoothing. Partially, profitability has a positive effect on income smoothing, while firm size, leverage and foreign ownership partially have no effect on income smoothing.

In order to avoid income smoothing, companies are advised to monitor the level of profitability of the company. For investors, if you want to invest in a mining company listed on the IDX, you should consider the profitability ratio of the company before investing because profitable companies tend to indicate income smoothing.

Keywords: income smoothing, profitability, firm size, leverage, foreign ownership.