ABSTRACT

Income smoothing is an action performed by the management company in order to reduce fluctuations in earnings. This is done with the motivation to show good performance to investors, by showing stable corporate profits. Because investors sometimes only focus on the profits generated by companies in determining investment decisions. Therefore the company performs income smoothing action. Income smoothing is done by adding or reducing the company's actual profit, to be moved to a certain period.

This study aims to determine the effect of simultaneous and partial between profitability, leverage, and firm size to income smoothing in cement, metals & allied products, and pulp & paper companies listed in Indonesia Stock Exchange during 2013-2016.

This research uses quantitative method. Sampling technique in this research is purposive sampling technique. Sample in this research is as many as 9 sample in the period of 4 years so that got 36 total sample company. The analysis technique used in this research is multiple linear regression analysis using SPSS 23.0 application.

Based on the results of research, variable profitability, leverage, and company size simultaneously there is no significant effect on income smoothing. Partially, the profitability variables proxied by using Return on Assets (ROA), leverage variables proxied by using Debt to Asset Ratio (DAR), and firm size variables proxied by using the total natural logarithm of the asset, have no effect on income smoothing.

Based on the results of the research, the company does not have to practice income smoothing to show the good company. Companies can increase profits by increasing sales, company performance, and pressing production costs so that companies can look better by investors and users of other financial statements.

Keywords: *Income Smoothing, Profitability, Leverage, Firm Size.*