

ABSTRACT

Profit is one of the important components in financial statements that can be used as a measure in assessing the performance of a company. Companies that have fluctuating profits are considered to have poor performance. Income smoothing is a strategy used by company management to avoid fluctuating profits by reducing or increasing reported profits so that profits look stable in accordance with what was previously calculated by the company. Income smoothing is proxied using the Eckel Index (1981).

The variables used in this study use two types of variables, namely the independent variables (profitability, company size, and financial risk) and the dependent variable (income smoothing). The purpose of this study was to determine the effect of the variable Profitability (ROA), Company Size (UP), and Financial Risk (DER) on income smoothing. In this study the objects used in the property sector, real estate, and building construction companies are listed on the Indonesia Stock Exchange (IDX) from 2013 to 2017.

In this study using quantitative methods. Testing the hypothesis in this study using descriptive statistical analysis and logistic regression analysis using SPSS 25.0 software. The sampling technique in this study used a purposive sampling technique so as to produce 35 sample companies within a period of five years, namely 175 units of data samples. The data analysis method used in this study is logistic regression analysis which is processed using SPSS 25 software.

Based on the results of the study, it can be concluded that there is an influence between the variables of profitability, company size, and financial risk simultaneously on income smoothing. Partially, only financial risk (DER) has a positive and significant effect on income smoothing, while profitability (ROA) and firm size do not significantly influence income smoothing.

For investors, the results of this study can be one of information and are expected to be more careful in making decisions in investing in companies. Investors are advised to pay attention to the high level of financial risk, because financial risk has an influence on income smoothing especially for property, real estate and building construction companies in the period 2013-2017.

Keywords: *Financial Risk, Firm Size, Income Smoothing, Profitability*

