

ABSTRACT

Income smoothing is a deliberate effort by management to reduce the level of profit fluctuations in periods of high-earning and income levels to periods of less profitable earnings to make them look normal or stable so that reported earnings are attractive for users of financial statements such as investors and creditors. Because investors assume that companies with the stable earnings have a low level of risk and have a good business continuity.

This research is aiming to analyze and explain how the simultaneous and partial influence of cash holding, financial leverage, and firm size on income smoothing in mining companies listed on Indonesia Stock Exchange in 2016-2019.

The methods that used in this research is quantitative methods with the type of descriptive verification research. The sampling technique used in this research was a purposive sampling technique that obtained 13 research samples within a period of 4 years so there is 52 sample units of mining companies were listed in Indonesia Stock Exchange in the 2016-2019 period. The analytical method used in this study is logistic regression analysis using IBM SPSS 25.0 software.

Based on the results of the research, it shows that the variables of cash holding, financial leverage, and company size simultaneously have a significant effect on income smoothing. Partial test results show that the cash holding variable, which is measured using cash and cash equivalents divided by total assets, has a significant positive effect on income smoothing. Meanwhile, the financial leverage variable which is proxied using the Debt to Equity Ratio (DER) and the firm size variable, which is proxied using the natural logarithm of total assets, has no effect on income smoothing.

For investors, the results of this research can be useful information as material for making investment decisions. Hoped that investor, not only focussing on the companies cash holding's levels. Because these variable have a significant influence on income smoothing. However, investors need to take a look in every detail of all the information contained in the financial statements. For management, it is hoped that income smoothing will not occur when the cash holding levels is high, because if it is proven to do so it will harm the company, such as creating a bad image of the companies in investor's view.

Keywords: *Cash Holding, Financial Leverage, Firm Size, Income Smoothing*