

ABSTRACT

Income smoothing is a creative accounting practice that company managers can do. Income smoothing is one of management's strategies in regulating the fluctuation in profits from one period to the next to make it look stable and attractive to investors so that it can affect the decisions that interested parties will make.

This study aims to determine the determinants of income smoothing, namely corporate governance, winner or loser stocks, debt covenants, and company size simultaneously or partially in non-financial public companies that are included in the LQ45 Index for the 2017-2021 period. This study used purposive sampling with 115 observational data of 23 LQ45 Index companies during 2017-2021. Data were analyzed using descriptive statistical analysis methods and logistic regression analysis with IBM SPSS Statistics 26 software.

The results showed that corporate governance, winner or loser stocks, debt covenants, and company size are simultaneously determinants of income smoothing. Partially, corporate governance and company size negatively affect income smoothing. Meanwhile, winner or loser stock and debt covenant do not affect the indication of income smoothing practices. The novelty in this study is the use of 4-level corporate governance as an indicator in measuring the level of companies' corporate governance application and resulting in findings that the condition of corporate governance in most of the LQ45 Index companies is classified as level 3 or advanced. Thus, further researchers can develop these indicators to be re-examined in other objects.

Keywords: Creative Accounting, Income Smoothing, Corporate Governance, Winner or Loser Stocks, Debt Covenant, and Firm Size.