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Research Article

Good Corporate Governance and Income Smoothing Practice: Studies on Companies Listed in Kompas100 Index in Indonesia

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Abstract: This study aims to examine the impact of corporate governance, financial leverage, and dividend policy on income smoothing practices of companies listed in the Kompas100 Index from 2014 to 2018 on the Indonesia Stock Exchange. Corporate governance in this study was proxied by the size of independent board of commissioners, audit committee. Using the purposive sampling method, total samples that fit the criteria are 62 companies with a total data used of 248 observations. Data were analyzed using logistic regression. The results showed that the size of independent board of commissioners, classification of public accounting firms, and dividend policy has a significant influence on income smoothing practices, while the audit committee and financial leverage did not effect on income smoothing practices. The results of this study indicate that the practice of income smoothing in Indonesia is carried out with the aim of reducing fluctuations in corporate profits and is expected to provide a positive signal for investors that the company is able to create stable profits each year.

Keywords: Corporate governance, financial leverage, dividend policy, and income smoothing.

INTRODUCTION

Financial statements are one of indicator to assess the performance of company. Financial statements contained various kinds of information provided by the company regarding business activities, company finances, and every part of information which needed by stakeholders. Through financial statement, the users of financial statements also can determine several decisions, for example, investors, one of their decision is invest to the company. In assessing a company, investors, including several external users, only focus on company profit information. The company's profit is considered the most great information to assess the company's performance without regard to the procedures for prepare the earnings information.

The tendency of external parties to pay more attention to earnings information as a parameter of company performance will provide an opportunity for management to manipulate the company's profit information (Schipper, 1989). This is a form of dysfunctional behavior (improper behavior) by management so that the company's performance looks good for the users of its financial statements.

One of management's actions to change company earnings information is through the practice of income smoothing. Income smoothing is defined as an attempt by a company to reduce earnings fluctuations in order to show the company's profit stability from year to year (Koch, 1981). Belkaoi (2006: 73) explains that income smoothing is a process of profit manipulation from year to year by moving income of company, from high-income to low-income period.

The purpose behind the management of income smoothing can change information of profit the company. Financial reports that should provide information about business activities and corporate financial to make a decision but the fact is they have sometimes manipulated it for personal or organizational interests (Azhar and Kurnia, 2018). This needs to be watched out by users of financial statements because the information which has been added or reduced can make a wrong decision making.

Scott (2006) in his study explain that management do practice of income smoothing consists of several reasons. Some of them are incentive compensation, debt contracts, political reasons, tax avoidance, CEO turnover, and the company's Initial Public Offering.

The practice of income smoothing has become a phenomenon carried out in many countries. Some examples of cases regarding international earnings

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management practices are Enron, which in 2001 proved manipulate financial statements with Arthur Anderson's accounting firm, and a World Company that claimed have manipulated profits nearly five billion US dollars in the period 2001 to 2002 (Tuanakotta, 2007: 138). In Indonesia, several cases of income smoothing at companies which have been gone public are PT Saratoga Investama Sedaya Tbk. in 2016 and PT Timah (Persero) Tbk in 2015. Both companies are suspected have inflated the profits in the financial statements and had a bad impact on decision making for the users of its financial statements (Agustiana *et al.,* 2017). In the literature review, there are several factors that influence earnings smoothing practices such as corporate governance mechanisms (Solomon and Solomon 2004: Mehrazeen and Mehrtash 2012), the board of commissioners (KNKG, 2006; Vafeas, 2000), audit committees (Chtourou *et al.,* 2001; Xie *et al.,* 2003), the quality of public accounting firms (Soselisa and Mukhlasin, 2008; Chung *et al.,* 2005; DeAngelo (1981), Financial leverage (Subramanyam, 2013; Jones and Sharma, 2001; Alexandri and Anjani 2014) and dividend policy (Sulistiyawatiwati , 2013; Fiscal and Steviany, 2015).

Mehrazeen and Mehrtash (2012) in their study explained that the mechanism of corporate governance is a process that can control andsupervise the way of a company to be more directed and according with interests of agents and principals. This mechanism starts from having an independent board of commissioners, an audit committee, managerial ownership and audit quality. Solomondan Solomon (2004) in his research stated that the mechanism of good corporate governance will increase the value added of company in public. The role and function of good corporate governance is to increase financial information quality (Nuraini, 2015).

An independent board of commissioners is an important component that must have in a company in order to get a good oversight function (Vafeas, 2000). Komite Nasional Kebijakan Governance (2006) explains that the board of commissioners is a part of the corporation which is simultaneously responsible for supervising and providing advice or recommendation to the directors and ensuring that the company had carried out corporate governance well. Vafeas (2000) defines an independent board of commissioner is company supervisory groups who able to limit the level of earnings management thereby increasing earnings quality by utilizing the monitoring function of financial reporting.

Chtourou *et al.,* (2001) in their research results prove that the audit committee has an influence on income smoothing. This is evidenced by companies that have an audit committee will tend to produce quality financial reports, so it can reduce the risk of fraud in financial reporting. In this case audit committee acts as a controller in the financial reporting process. Similar results were also found in the study of Xie *et al.,* (2003) which examines the impactiveness of audit committees in reducing earnings management by management. The result is that the audit committee is able to protect the principal's interests from earnings management actions which did by agent.

The quality of financial statement information can be generated through a quality audit process .The audit quality of the Public Accounting Firm can influence the risk of accounting fraud which has did by a company (Soselisa and Mukhlasin, 2008). Chung *et al.,* (2005) argues that companies which manipulate profits will tend to avoid using large accounting firms and have a high reputation. DeAngelo (1981) concludes that large public accounting firms are considered have better audit quality and more independence in carrying out their audit, thereby increasing the risk of disclosure of earnings manipulation by companies.

Financial leverage is a way to assess a company's ability to meet its obligations through a comparison of debt with equity (Subramanyam, 2013).A company which have high debt levels will tend to practice income smoothing, where try to maintain the stability of their profits in order to fulfill debt agreements (Jones and Sharma, 2001). Alexandri and Anjani (2014) in their research explained that a high leverage ratio in a company will have an impact on the decrease in lender confidence to provide loans to the company, where the debt ratio ratio provides an overview of the capital structure and the level of uncollectible risk of a debt, so that it can the company to do practice of income smoothing.

Another factor that can trigger income smoothing practices is dividend policy. Dividend policy is a policy regarding decisions on profits derived by companies that will be distributed as dividends or become retained earnings. Although the dividend policy is determined at the General Meeting of Stakeholders, company management can provide an overview or estimate of the amount of profit that can be distributed to stakeholders (Sulistiyawati, 2013). The tendency of investors to only look at dividend distribution policy as a basis for investment considerations encourages management to practice income smoothing. The dividend distribution policy which is carried out by the company every year gives a positive signal to investors that the company is able to create a stable profit every year, so that it indirectly contributes to increasing investor confidence in management that the company has been managed impactively and efficiently (Fiscal and Steviany, 2015).

This study reexamined the impact of corporate governance, financial leverage and dividend policy on income smoothing practices in Indonesia, especially in companies incorporated in the Kompas100 Index on the Indonesia Stock Exchange for the 2015-2018 period.

The Kompas100 Index is a group of shares of companies going public issued by the Indonesia Stock Exchange in cooperation with Kompas Media as many as 100 companies. Issuers listed in the index are summarized from various business sectors and have gone through a screening process of the total issuers listed on the Indonesia Stock Exchange (Suruji, 2011). The performance of Kompas100 index is often used as a reference for investing, because the Kompas 100 index is better than the Composite Stock Price Index and is not too volatile as the LQ-45 index.

EMPIRICAL LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The practice of income smoothing often arises because there is a conflict of interest between the agent and the principal. Jensen and Meckling (1976) suggest that agency theory is a theory that explains the relationship or contract between the principal (shareholder) and the agent (management), and it assumed to be motivated by their own interests, so that making conflict of interest between them. Agency theory explains that the agency relationship arises when the principal makes use of an agent and then give the agent the decision-making authority. The granting of such authority will cause agency problems, the inequality of interests between the principal and agent.

The results of the literature review prove that the relationship between agents and principals is often determined by accounting numbers (Watts and Zimmerman 1986). In the decision making process, users of financial statements really like earnings information as a reference to measure company performance. This condition can encourage managers to opportunistically choose accounting policies that are in accordance with their interests (Belkaoui, 2005). Management is motivated to do earnings management, income smoothing or even motivated to do earnings manipulation.

Earning Management and Income Smoothing

Earnings management is an act of managers who choose accounting policies to achieve their specific objectives. The accounting policy which use is accruals in preparing financial statements (Scott, 2015). Managers choose accounting policies to influence earnings information. Influenced earnings information can be enlarged or reduced according to the manager.

Subramayam and Wild (2013) states that there are 3 (three) main aspects in the definition of earnings management, namely: (1) Earnings management can be done by using judgment. Examples of judgments such as estimates of economic life and residual value of fixed assets, deferred taxes, determine the accounting methods to be used such as depreciation methods and cost methods. (2) The purpose of earnings management is to mislead stakeholders regarding the company's economic performance because management has access to information that cannot be accessed by outsiders. (3) Shifting the period of cost or income. Examples such as accelerating or postponing expenses for research and development until the next accounting period, promotional expenses, setting the time for the sale of fixed assets that are not used.

Earnings management can be done with a variety of patterns such as Taking a bath, Income Minimization, Income Maximization, Income Smoothing, Offsetting extraordinary / unusual gains, Aggressive accounting applications, Timing Revenue and Expense Recognition (Scott, 2011: 383), there is flexibility in Generally Accepted Accounting Principles (GAAP) through the practice of creative accounting, so that management can make or change various accounting policies to enhance financial statements (Mulford and Comiskey, 2002: 88). As for other terms that are commonly used in financial number games, namely aggressive accounting, income smooting, fraudulent financial reporting, and creative accounting practices (Mulford and Comiskey, 2002: 12).

Income smoothing is one form of earnings management in which income and expenses are shifted between periods to reduce earnings fluctuations (Arens *et al.*, 2005: 310). The main objective of income smoothing is to show the company's performance and financial condition. The purpose behind the management of income smoothing can still change the information content of the profits generated by the company. Such conditions need to be watched out by users of financial statements because the information that has been added or reduced can mislead decision making (Juniarti and Corolina, 2005).

The Impact of Financial Leverage on Income Smoothing Practice

Jones and Sharma (2001) in their research results showed that financial leverage proxied through debt to equity ratio affects the income smoothing practices of manufacturing companies on the Australian Stock Exchange. This shows that the higher the value of debt to equity ratio, the company will tend to practice income smoothing because the company tries to maintain the stability of their profits to avoid offense debt agreement. Indrawan (2018) also explained that companies which have high debt ratios will impact on the high risks investors. It makes investors demand companies to be able to provide a high level of profit as well, so companies will tend to practice income smoothing in order to maintain the company's attractiveness to investors.

H1: Financial leverage has a positive impact on Income Smoothing Practice

The Impact of Classification of Public Accounting Firms on Profit Smoothing Practice

DeAngelo's (1981) study results explain that companies that use big four public accounting firms that have high reputations tend not to practice income smoothing, because big four public accounting firms have high audit quality and have a good reputation, so the risk of disclosure of fraud committed by management is greater compared to ordinary non-big public accounting firms. The same results are also the research of Sulistiyawati (2013), Shubita (2015), and Chung *et al.*,(2005) which shows that the higher the level of competence of public accounting firms will be able to detect errors or fraud in the presentation of financial statements, so that the classification of public accounting firms is considered to have a significant effect on the practice of income smoothing.

In the results of research Chung *et al.*,(2005) concluded that big four public accounting firms auditors tend to provide high quality audit services to certain clients rather than non big four public accounting firms auditors because the dependence of the auditor's economic problems on such clients can be ignored for big four public accounting firms auditors. In addition, the big four auditor will also have a greater loss in the case of an audit failure, compared to a non big auditor, so the greater the classification of the firm that performs audit tasks in a company, the less likely a company is to practice income smoothing.

Classification of public accounting firms will determine the credibility of a financial statement. The detection of financial statements that have been manipulated is expected to be revealed through good audit quality, so as to reduce the practice of income smoothing (DeAngelo, 1981). Companies that do income smoothing will tend to avoid using big public accounting firms services (big-four) because the manager will be revealed cheating which will also harm the manager itself and also the company, so the greater the name of the public accounting firms that audits the company, the less chance of managers doing income smoothing practices (Prasetya and Nur Rahardjo, 2013).

H2: Classification of public accounting firms has a negative impact on income smoothing practice

The Impact of Independent Board of Commissioners Size on Income Smoothing Practice

The more members of the board of commissioners in a company, it will make it easier for the board of commissioners in carrying out their role as controlling the management, easy to supervise and control the actions of management, including in decision making which is useful for the company. This shows that the greater the size of the board of commissioners, the smaller the opportunity for management to practice income smoothing (Vafeas, 1998). Yang, Leing Tan, and Ding (2015) also argues that the size of the board of commissioners influence income smoothing, where the existence of independent parties in the company minimizes management to do income smoothing.

H3: The size of the independent board of commissioners has negative impact on income smoothing practice

The Impact of the Audit Committee on Income Smoothing Practice

Chtourou *et al.,* (2001) in their research results showed that the larger size of the audit committee, it more difficult for management to do income smoothing practices. This is based on the fact that the greater the audit committee formed by the board of commissioners, the easier it will be to detect the possibility of income smoothing practices carried out by the company's management. The research of Xie, Davidson, & Dadalt (2003) and Yang, Leing Tan, and Ding (2015) also revealed the same results that the audit committee influences the practice of income smoothing, where the audit committee is able to protect pincipal interests from earnings management actions carried out by parties agent.

H4: The audit committee has a negative impact on income smoothing practice

The Impact of Dividend Policy on Practice of Income Smoothing

Determination of amount of dividend is depending on the amount of profits obtained by the company through the dividend payout ratio. Investors like the high level of dividend distribution, so companies try to maintain the stability of their profits so they can provide a stable level of dividends to investors. The demand of high dividends make management to practice income smoothing (Sartono, 2004). Research Budiasih (2009) and Paramita (2016) states that the greater the dividend payout ratio illustrates the more profits generated by the company. In addition, investors also favor companies that provide large dividends, so the greater the dividend payout ratio, the more it encourages managers to practice income smoothing.

H5: Dividend policy has positive impact on income smoothing practice

DATA AND METHODOLOGY

The data used in this study is a balanced panel data, which is research in which data is collected in several observation periods and has the same number of observations each year. The population in this study are companies listed on the Indonesia Stock Exchange Kompas100 Index for the 2015-2018 period.

The sample selection is carried out based on the purposive sampling method with the criteria of the company being joined by the Kompas100 index in a row during the 2015-2018 period and never delisted; issue a complete and audited annual financial report during the observation period; and during the observation period the company never suffered a loss. The process of calculating the criteria for determining the sample is:

Table 1. Sample Determination Criteria

Sample Determination Criteria	**Amounts of Companies**
Companies that have been incorporated in Kompas100 since 2015-2018	125
The company has been delistinated from Kompas100 Index during the period of observation	(59)
The company that suffered losses during the period 2015-2018	(4)
Total of sample	62

Based on the entire population, a sample of 62 companies is included in the Kompas100 Index for 4 (four) years and the total data used is 248 observation data.

Measurement Variables

Income Smoothing

The measurement of income smoothing uses the Eckel Index. Eckel index is used to indicate whether a company practices income smoothing or not through this formula (Eckel, 1981).

$$\text{Eckel Index} = \frac{CV\ \Delta I}{CV\ \Delta S}$$

Financial leverage

Financial leverage is used to determine the ratio between financing and funding through debt and equity, and it called debt to equity ratio (Brigham and Houston, 2001: 87). The debt to equity ratio calculation formula is total debt divided by total equity.

Classification Of Public Accounting Firms

Classification of public accounting firms variable is used as a dummy variable, where companies whose financial statements are audited by Big-Four public accounting firms are given a value of 1 (one) and companies whose financial statements are not audited by Big-Four public accounting firms are given a value of 0 (zero).

The Size of Independent Board of Commissioners

The size of independent board of commissioners is part of a company that has duty to conduct overall and detailed supervision in accordance with the company's articles of association and provide an input to the board of directors (Barnes, 2006). The size of the board of commissioners is measured by the formula Total members of the board of independent commissioners divided by total members of the board of commissioners of the company.

Audit Committee

Audit committee is a committee which formed and responsible to the board of commissioners to help carry out the duties and functions of the board of commissioners, consisting of at least 3 (three) members and must be chaired by an Independent Commissioner and at least one of them have capabilities in accounting and finance (POJK, 2015). The audit committee is measured by the total members of the independent audit committee for the total members of the audit committee.

Dividend Policy

Dividend policy is a management policy to distribute cash dividends to stakeholders. Dividend policy is calculated through the dividend payout ratio paid by the company, where the dividend per share is compared to earnings per share (Subramanyam, 2013: 45).

RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistics aim to display a general description of the research sample. Descriptive statistics for all variables in this study can be seen in Table 2.

Table 2. Descriptive Statistic

	N	**Min**	**Max**	**Mean**	**Std. of Deviation**
LEV	62	.045	10.760	1.729286	2.1276
KKAP	62	.000	1.000	.790323	.4104
DKOM	62	.166	.800	.437813	.1337
KA	62	.333	.750	.559370	.1366
KDIV	62	.000	.902	.273812	.2241
Income Smoothing	62	.000	1.000	.870968	.3379

Descriptive statistical results there are 54 companies indicated to practice income smoothing. While the remaining 8 companies are suspected of not doing income smoothing practices.

Based on the classification of public accounting firms, it shows that as many as 79% of companies use public accounting firms affiliated with big-four public accounting firms or 49 companies and the remaining 13 companies use non-big-four public accounting firms. This reflects that quite a number of companies are using the services of external auditors affiliated with the Big-Four public accounting firm in the expectation that the opportunities for managers to get income are getting smaller.

The feasibility of a regression model test

Table 3. Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	5.732	8	.632

The results of feasibility of a regression model test (goodness of fit test) measured by the Chi-Square value in the Hosmer test and the Lemeshow Goodness of Fit Test showed that the Chi-Square table value for df 8 was 5,732 with a significance of 0.632. Significance> 0.05, it can be concluded that the empirical data fits the model.

Coefficient of Determination (R2)

Nagelkerke's R Square, the value of R Square (R2) shows how much influence the independent variable has on the dependent variable. The value of R2 lies in the 0 intervalR ^ 2≤1 interval. If R2 gets closer to 1, the greater the proportion of contributions of the independent variables together in explaining the variation of the independent variables and vice versa. The results of the analysis of Nagelkerke’s R Square test are :

Table 4. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	14.160[a]	.605	.796

The Nagelkerke R Square value is 0.796. This shows that the proportion of contribution of the independent variables together in explaining the variation of the independent variables was 79.6%, while the other influenced by other factors not included in this model.

Logistic Regression Analysis

The result of regression of panel data that has influence on financial leverage, classification of public accounting firms. Independent Board of Commissioners Size, audit committee, and dividend policy can be seen in table 5.

Table 5. The result of Data Analysis

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	LEV	-.188	.089	4.463	1	.135	.877
	KKAP	-.932	.176	4.887	1	.036	1.296
	DKOM	-.295	.183	2.591	1	.044	.744
	KA	-.096	.176	.301	1	.584	.936
	KDIV	.388	.181	.856	1	.018	1.182
	Constant	-15.455	7.624	4.110	1	.043	.000

Based on table 5, the results of hypothesis test can be seen as follows:

$$Y = -15{,}455 - 0{,}188X1 - 0{,}932X2 – 0{,}295X3 - 0{,}096X4 + 0{,}388X5$$

The Impact of Financial Leverage on Income Smoothing Practice

Hypothesis testing results indicate that value of the financial leverage is 4.463 with a significance level of 0.135 (P value> 0.05), which means that the H1 hypothesis is rejected. Thus it can be said that the financial leverage variable partially has no significant impact on income smoothing practices. This indicates that the higher value of financial leverage, it tends to lower motivation of the company's management to practice income smoothing, in which case the company tries to avoid defaulting on debt agreements, and vice versa.

The results of this study contradict with the hypothesis, but support the results of research of

Zarnegar and Hamidian (2016), Fengju *et al.*,(2013), and Fiscal and Steviany (2015) which explain that financial leverage has no impact on income smoothing practices, this is because a high debt to equity ratio will encourage corporate managers to avoid income smoothing actions to prevent failure of debt payments in the future , in other words the company has good plan to pay their debts to avoid the practice of income smoothing.

The Impact of Classification of Public Accounting Firms on Income Smoothing Practice

Hypothesis testing results show the value of Wald from the classification of public accounting firms at 4.887 with a significance level of 0.036 (P value <0.05), which means that the classification of public accounting firms has a significant effect with a negative direction on the practice of income smoothing and H2 hypothesis is accepted. This result can be interpreted that companies that are audited by big-four public accounting firms on average have a small level of income smoothing practices.

The reputation of the big-four public accounting firm is able to influence corporate management in the practice of income smoothing. Big-Four public accounting firm is considered to have better audit quality and more independence in carrying out its audit duties, thereby increasing the risk of disclosure of earnings manipulation by the company.

The results of this study are consistent with the results of research Sulistiyawati (2013) and DeAngelo (1981) which states that companies that use public accounting firms that are classified as big-four public accounting firms tend not to practice income smoothing, because public accounting firms big-four has high audit quality and has a reputation which is good, so the risk of disclosure of fraud committed by management is higher than non-big-four public accounting firms.

The Impact of Independent Board of Commissioners Size on Income Smoothing Practice

Hypothesis testing results show the value of the Independent Board of Commissioners Size is 2.591 with a significance level of 0.044 (P value> 0.05), which means that the size of the independent board of commissioners significantly influences the practice of income smoothing, which means that the H3 hypothesis is accepted. The greater the proportion of independent commissioners in a company, the smaller the opportunity for the company to practice income smoothing. This is based on the fact that the members of independent commissioner have no ties or interests to the management, so they are out from pressure and managerial intervention. Thus, the more independent parties in the composition of the members of the board of commissioners, the process of supervision carried out will be more qualified along with the many demands of independent parties who want transparency.

The results of this study are consistent with the results of the study by Yang *et al.*, (2015); Sari (2017); and Klein (2002) who explained that an independent board of commissioners in a company is able to minimize the possibility of income smoothing practices through a supervisory function, this is because the board of commissioners chosen by shareholders must carry out their duties and responsibilities independently.

The Impact of the Audit Committee on Income Smoothing Practice

Hypothesis testing results indicate that the audit committee's Wald value in this is 0.301 with a significance level of 0.584 (P value> 0.05), which means that the audit committee has no significant impact on income smoothing practices, where it means that the H4 hypothesis is rejected. From the results of this study it can be concluded that the audit committee is not able to protect the interests of stakeholders from income smoothing carried out by the company's management. The size of the audit committee members are not able to influence the motivation of company management to practice income smoothing. In carrying out their duties, the audit committee appointed and dismissed by the board of commissioners has limitations in carrying out supervision and can only provide advice or recommendations for commissioners, it sense that the audit committee cannot directly regulate company policy, thus making this committee inimpactive in reducing opportunistic management.

The results of this study contradict with the hypothesis, but support the research findings of Indrawan *et al.*, (2018), Marpaung and Latrini (2014), and Gulzar and Wang (2011) who explain that the audit committee has no impact on income smoothing practices because there is a possibility that the formation of an audit committee to fulfill regulations in implementing good corporate governance. Then this committee also has limited authority in the company, where the audit committee can only provide advice to the company, so there is a possibility that the audit committee cannot carry out the oversight function and the practice of income smoothing is still possible.

The Impact of Divident Policy om Income Smoothing Practice

Hypothesis testing results show the value of the wald of the dividend policy variable is 0.856 with a significance level of 0.018 (P value <0.05), which means that the dividend policy significantly influences the practice of income smoothing and the H5 hypothesis is accepted. The dividend distribution policy which is carried out by the company every year gives a positive signal to investors that the company is able to create a stable profit every year, where it can be seen through the dividend payout ratio which increases every year and indirectly contributes to the investor's confidence in the management that the company has been managed impactively and efficiently, this is what triggers management to practice income smoothing (Fiscal and Steviany, 2015).

The results of this study are consistent with the results of Doraini (2017) and Noviana (2011), and Paramita (2016) conclusions that dividend policy influences income smoothing practices, where investors prefer companies that are able to provide large dividends, so management will apply income smoothing practices to maintain the stability of the profits generated. The size of the profits obtained by the company will affect the size of the dividends to be distributed.

CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

This study shows that the size of the board of commissioners, the classification of public accounting firms, and dividend policy significantly influence income smoothing practices, while the audit committee and financial leverage have no influence on income smoothing.

This study has a number of limitations, such as a span of only 4 (four) years, which results in the limited number of companies that become research samples and this study uses the Eckel Index to measure the amount of income smoothing, so that subsequent researchers can consider other measurement methods besides the Index method Eckel, the discretionary accrual method. Further researchers are also advised to examine other factors that are thought to influence the income smoothing practice. Some of these factors such as profitability, company size, financial risk, or company ownership.

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