ABSTRACT

IMPACT PROFITABILITY, FINANCIAL LEVERAGE AND DIVIDEND PAYOUT RATIO OF INCOME SMOOTHING

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This result aims to examine the influence of profitability, financial leverage, and dividend payout ratio to earnings smoothing practices. Study sample totaled five manufacturing companieslisted on the Indonesia Stock Exchange year period 2003-2010. The factors tested were profitability (ROE), financial leverage (debt to equity ratio), and dividend payout ratio. Eckel index used to determine which firms practice income smoothing or not.

Eckel results indicate that as many as index calculation 3 companies that make the practice of smoothing earnings. While the results of regression analysis of panel data to get results, among others (1) with a simultaneous test proved all the variables together influence the practice of smoothing earnings and (2) witheither a partial test of profitability, financial leverage, and dividend payout ratio significantly influence the practice smoothing earnings.

Thus it can be concluded from this study that the profitability, financial leverage, and dividend payout ratio affects the company's practice income smoothing.

Key words : Profitabilitbility, financial leverage, dividend payout ratio, income smoothing.