**ABSTRACT**

This study aimed to examine the effect of profitability ratios, firm size, firm value and financial leverage on income smoothing practices. Income smoothing is one pattern of earnings management. This study aims to analyze the factors that influence the practice of income smoothing using a sample of 76 companies listed on the Stock Exchange within a period of three years from 2009 to 2011 with the selection method of purposive sampling. This study uses Eckel index to classify a company that does or does not practice income smoothing. The statistical analysis used in this study was to test the descriptive statistics and multivariate logistic regression through testing with SPSS ver. 17.0. The results show that the first hypothesis (H1) which states that affect the profitability of the practice of income smoothing, rejected. The second hypothesis (H2) which states that the size of the company influence the practice of income smoothing, rejected. The third hypothesis (H3) which states that the value of the company influence the practice of income smoothing, rejected. The fourth hypothesis (H4) stating financial leverage effect on the practice of income smoothing, rejected.

Keywords: Alignment Profit, Profitability, Company Size, Value Companies, Financial Leverage.