

**THE EFFECT OF FIRM SIZE, NET PROFIT MARGIN AND LEVERAGE
OPERATIONS TOWARD THE ACTION OF INCOME SMOOTHING
PRACTICES IN CONSUMER GOODS SECTOR OF MANUFACTURING
COMPANIES THAT LISTED IN INDONESIA STOCK EXCHANGE
(2008-2011)**

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ABSTRACT

This study is performed to examine the effect of firm size, net profit margin and operating leverage toward the action of income smoothing practice among consumer good sectors of industrial manufacturing companies listed at Indonesia Capital Market Directory (ICMD). The sample of this research is various sector of industrial manufacture companies which is listed on Indonesia Capital Market Directory (ICMD) within a period of four years beginning in 2008 until 2011 with the selection method of purposive sampling. Eckel index used to classify companies that do or do not the action of income smoothing practice.

The sampling technique used here is purposive sampling. The data is obtained based on Indonesia Capital Market Directory (ICMD 2012) publication. The research sample are 23 firm with 39 observations those listed in Indonesia Stock Exchange. The hypothesis were tested using logistic regression with SPSS program to examine the influence of size of the company, net profit margin, and operating leverage toward the action of income smoothing practice.

The from the analysis result firm size, net profit margin and operating leverage influential not significant towards the action of income smoothing practice. Operating leverage only partially are a significant influence on the action of income smoothing practice in Indonesia Stock Exchange on 2008-2011 period on the level of significance less than 5%, while the company size and net profit margin effect does not significantly influence the action of income smoothing practice in Indonesia Stock Exchange on 2008-2011 period on the level of significance more than 5%.

Keyword : Income Smoothing, Firm Size, Net Profit Margin and Operating Leverage