THE INFLUENCE OF COMPANY SIZE, FINANCIAL RATIO, COMPANY VALUE, PUBLIC OWNERSHIP, AND CORPORATE GOVERNANCE ON EARNING PRACTICES IN INSURANCE COMPANIES REGISTERED ON THE IDX 2012-2019

1st Rahmat Akbar Hardian, 2nd Nursanita

Akuntansi

Sekolah Tinggi Ilmu Ekonomi Indonesia

Jakarta, Indonesia

rahmat.a.h.97@gmail.com; nursanita@stei.ac.id

Abstract - *Income Smoothing Practice is a deliberate reduction or fluctuation of several levels of profit currently considered normal by the company. This study aims to examine and determine the effect of Company Size, Profitability (ROA), Capital Structure (DAR), Company Value (PBV), Public Ownership, and Corporate Governance, Institutional Ownership, Auditor Reputation, and Independent Board of Commissioners on Income Smoothing Practices in the insurance company listed on IDX for the period 2012-2019. This study uses a quantitative research strategy with a causal relationship approach, which is measured using the logistic regression method with SPSS. The population of this study is insurance companies listed on the Indonesia Stock Exchange (IDX) for the period 2012 to 2019. The sample is determined based on purposive sampling, with a sample size of 10 so that the total observations in this study are 80. The data used in this study are secondary data, namely the annual financial statements published by the IDX and the official website of each company. The results of the research prove that company size, company value, the reputation of the auditor, and the independent board of commissioners has no effect on income smoothing practice, while profitability, capital structure, public ownership, and institutional ownership has a positive effect on income smoothing practice in the insurance company listed on IDX for the period 2012-2019.*

***Keywords*:** *Company Size, Profitability, Capital Structure, Company Value, Public Ownership, Corporate Governance, Institutional Ownership, Auditor Reputation, Independent Board of Commissioners, and Income Smoothing Practices.*

I. INTRODUCTION

PT Asuransi Jiwasraya (Persero) was widely reported on national news pages at the end of 2019. This happened after the oldest life insurance company in Indonesia experienced liquidity

pressure so that the company's equity was recorded negative at IDR 23.92 trillion in September 2019. In addition, Jiwasraya needed money amounting to Rp. 32.89 trillion to return to health. The emergence of the Jiwasraya case is the culmination of various problems that have occurred at the company in previous years.

In 2017 Jiwasraya received an unfair opinion in its financial statements where Jiwasraya recorded a profit of Rp 360.6 billion. This unfair opinion was obtained due to a lack of reserves of Rp. 7.7 trillion. Sampurna (2020) as chairman of the Supreme Audit Agency (BPK) stated that if the backup was carried out according to the provisions, the company should have suffered losses in 2017. Jiwasraya made an incorrect decision by ignoring BPK's opinion in 2017.

The case experienced by PT Asuransi Jiwasraya is an example of the importance of quality financial reports for making the right decisions. Misstatements that occur, whether intentional or not, can have an impact on the losses of various parties. The company influences the surrounding environment in its activities. With the influence given, the company must provide accountability for the operational activities it has carried out. One of the responsibilities provided by the company is financial statements.

Good financial reports are a good reference for users of financial reports in making decisions (Nurani and Dilak, 2019: 155). One of the points that is often considered from financial reports is information about earnings. Earnings information can help company performance because this information helps in the decision making process. Earnings information also helps in estimating the future earning power of a company (Dewantari and Badera, 2015 in Nurani and Dillak, 2019: 155), so this information is very useful for all users of financial statements.

Earnings information can be used for various things, ranging from assessing the performance of company management, estimating investment risks that may occur, and estimating the amount of profit that can be obtained in the future (Pramono, 2013 in Dewi and Suryanawa, 2019: 59). So that the company's ability to generate profits presented in the financial statements reflects its ability to manage business activities. Company management often feels pressured by demands to achieve predetermined targets (Suryani and Damayanti, 2015 in Dewi and Suryanawa, 2019: 59). This pressure can lead to a conflict known as agency conflict.

What Jiwasraya did in its 2017 financial statements can be considered as an earnings management effort. The provision made not in accordance with the provisions makes Jiwasraya's financial statements not stated in a loss. So that the information contained in the financial statements is more attractive to various related parties, especially users of insurance services. However, this information is misleading and is detrimental to various parties.

Management takes earnings management actions to influence reported earnings figures. Of the several earnings management patterns, the pattern often used by management to maximize its own or company interests is income smoothing techniques (Dewi, 2011 in Yunengsih, Icih, and Kurniawan, 2018: 32). The process of earnings management is carried out by manipulating financial reports so that they are in accordance with existing interests. The financial statement engineering process involves various parties because the results will have a broad and long-term impact (Suwardjono, 2016: 105).

The practice of income smoothing is an action that is deliberately carried out by company management to reduce profit fluctuations by moving high income from one period to another (Sari, 2014 in Dewi and Suryanawa, 2019: 61). The company management tries to manage its profits in two ways depending on the situation that occurs. If the actual profit is smaller than the expected profit, the company management will increase the reported profit (Apriani and Wirawati, 2018 in Dewi and Suryanawa, 2019: 61). Conversely, if the actual profit is greater than the expected profit, the company management will reduce the reported profit. Managers tend to practice income smoothing because it is caused by several factors that come from within the company.

II. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

THE INFLUENCE OF COMPANY SIZE, FINANCIAL RATIO, COMPANY VALUE, PUBLIC OWNERSHIP, AND CORPORATE GOVERNANCE ON EARNING PRACTICES IN INSURANCE COMPANIES REGISTERED ON THE IDX 2012-2019

Agency Theory

Jensen and Mckling (1976) in Godfrey, et al. (2010: 362) describe the agency relationship as a contractual relationship between the principal and the agent. The principal uses the services of the agent to act as a representative of the principal. In a contract between the principal and the agent, the principal delegates decision-making authority to the agent. Thus, the agent must be accountable for the results of his work to the principal.

In situations where agency relations occur, no one can ensure that the agent will always take action in the interests of the principal. Agents as those who manage the company have their own interests outside of their duties to maximize the value of the company as representatives of the principal. The provision of official cars, the amount of salary, and the amount of the bonus are some of the benefits of the management (agent) which are also costs for the shareholders as principal. This triggers agency problems in agency relationships.

The agency problem that occurs later will increase the agency cost. Jensen and Mckling divide agency costs into 3, namely monitoring costs, bonding costs, and residual costs (Godfrey, et al., 2010: 363). Agency cost is needed to ensure that the management (agent) will act in accordance with the interests of the shareholders (principle). The better the reputation of the agent, the higher the trust given and the less agency cost required. Furthermore, a good mechanism can also be established to ensure that the principal will be compensated if the agent does not act in the interests of the principal.

Company Size

Company size is a scale to classify the size or size of a company (Yusrilandari, 2016 in Dewi and Suryanawa, 2019: 68). Usually the size of the company is measured using the company's total assets. Nasser and Herlina (2003) in Yunengsih, Icih, and Kurniawan (2018: 32) think that companies that have large total assets can be called large companies and will get more attention from various parties such as analysts, investors and the government.

Management tends to choose accounting methods to reduce profits when the company's political costs are high enough. Martinez and Castro (2011) in Dewi and Suryanawa (2019: 68) reveal that large companies tend to practice income smoothing because they are under the supervision of public policy makers, such as the government and the general public. This is also supported by Fadhli (2015) in Dewi and Suryanawa (2019: 68) which proves that managers in large companies tend to practice income smoothing compared to smaller companies.

Rahmawati and Muid (2012) in Yunengsih, Icih, and Kurniawan (2018: 34) state that company size has a positive effect on income smoothing practices. Meanwhile, Kusnadi (2015) in Yunengsih, Icih, and Kurniawan (2018: 36) shows that company size has no significant effect on income smoothing practices. This is likely because the bigger companies will be in the public spotlight so that they tend not to smooth income, besides that transactions at large companies are also increasingly complex so that the practice of income smoothing is increasingly difficult to do. H1: Firm size has an influence on income smoothing practices

Profitability

The profitability ratio is a ratio used to measure the level of success or failure given by a company or division for a certain period of time (Kieso, Weygandt, and Warfield, 2018: 717). Hery (2015) in Nurani and Dilak (2019: 156) also states that profitability is used to measure the company's ability to generate profits from its normal activities and measure the level of management effectiveness in running the company. This ratio is one that is taken into account by stakeholders, namely investors, creditors, government, and the general public along with liquidity and solvency.

The high level of profitability will indicate that the company has a good performance so that it gets more attention from investors. On the other hand, companies with low profitability will find it difficult to get investors' attention. Wang and William (2011) in Dewi and Suryanawa (2019: 69)

explain that investors are more interested in buying shares of companies with stable profits than companies with high profit fluctuations.

Cahyaningrat, Widarno, and Harimurti (2018: 332) in their research revealed that profitability as measured by the Return on Assets (ROA) ratio has a positive and insignificant effect on income smoothing. This shows that if the profits obtained through resources or the average number of assets are low, then there is a tendency for a company to carry out income smoothing practices so that it appears that the company looks healthy in the eyes of the company's external parties. On the other hand, Riyadi (2018: 63) states that profitability has a significant effect on income smoothing practices.

H2: Profitability has an influence on income smoothing practices

Capital Structure

Hery (2015) in Nurani and Dilak (2019: 156) states that the capital structure ratio is a ratio used to measure the extent to which the company's assets are financed by debt. In other words, the capital structure ratio is the ratio used to measure how much the company must bear in order to fulfill assets. The results of this ratio calculation are needed as a basis for consideration in deciding between the use of funds from loans or the use of funds from capital as an alternative source of financing for company assets. According to Fahmi (2014) in Nurani and Dilak (2019: 156), using debt that is too high will endanger the company because the company will fall into the extreme debt category, where the company is trapped in a high level of debt and it is difficult to release the debt burden.

Companies that have a higher capital structure present a risk that the company may not be able to pay debts. A high level of capital structure makes investors doubt the survival of the company, also with a high level of capital structure, creditors will not provide loans to companies, because creditors are not sure that the company will be able to pay the debt it has. This is the motivation for management to do income smoothing.

Therefore, companies that have a high level of capital structure tend to do income smoothing. This is in line with the results of research conducted by Nurani and Dilak (2019: 165) which show that the capital structure, which is proxied by the Debt to Asset Ratio (DAR), has an effect on income smoothing practices. Companies also need good profits to obtain external funding (debt), because banks have requirements to accept credit applications to be given.

H3: Capital structure has an influence on income smoothing practices

Corporate Value

Corporate value is the perception of investors towards the company, which is often associated with stock prices. Herawaty (2008) in Saputri, Auliyah, and Yuliana (2017: 129) states that company value is an investor's view of a company that is associated with stock prices. Prices are formed through a process of supply and demand. When a company's shares get a high price, it can be said that the shares are in demand by many investors. Of course, the investor's interest arises after going through various considerations. One important consideration for investors is the company's financial performance, particularly the quality of earnings.

A good perception of firm value increases the capital market demand for company shares. The desire to show good performance to the public can encourage management to practice income smoothing. This can be due to the company's performance that is not as good as the expectations of stakeholders in relation to the perception of company value.

Saputri, Auliyah, and Yuliana (2017: 138) state that company value with a price to book value proxy has an influence on income smoothing practices. The higher the firm value, the greater the tendency to carry out income smoothing practices. Saputri, Auliyah, and Yuliana's research results strengthen the opinion of agency theory, where management as an agent will try to maintain the sustainability of the company. One of the efforts that management can do is by practicing income smoothing. On the other hand, Riyadi (2018: 64) states that firm value cannot influence management

to practice income smoothing. So that giving a good corporate image is not capable of being a driving force for management to do income smoothing.

H4: Firm value has an influence on income smoothing practices

Public Ownership

Public ownership is the company's outstanding shares owned by the general public outside the company environment. The shares owned by the general public are generally owned by investors with small shareholdings. Thus, a large proportion of public ownership reflects high public trust in the company. This shows that the company is trusted by the public to have good performance.

Public ownership with a large proportion will result in a high level of trust from investors in the company. Public ownership of a company encourages management to always show credibility in front of investors by showing good financial reporting performance, such as stabilizing financial ratios that influence investment decisions of potential investors. Management wants to maintain the trust of public investors so as to encourage management to carry out income smoothing practices.

The amount of public ownership, which indicates the level of investor confidence, tends to spur management to implement income smoothing practices. Management wants to maintain public investor confidence so as to encourage management to smooth income if necessary. However, the research of Nurani and Dilak (2019: 166) states that public ownership cannot significantly affect income smoothing.

H5: Public ownership has an influence on income smoothing practices

Corporate Governance

Corporate governance is a set of relationships between companies, shareholders, and also other stakeholders (Mallin, 2013: 7). Corporate governance also provides a structure by which corporate goals are set, and the means for achieving those goals and monitoring performance, are determined. Corporate governance is concerned with maintaining a balance between economic goals and social goals as well as between individual goals and communal goals, the goal is to align as closely as possible the interests of individuals, companies and communities (Cadbury, 1999 in Mallin, 2013: 7). This definition illustrates that corporate governance pays attention to shareholders and internal aspects of the company, such as internal control, and external aspects, such as the company's relationship with shareholders and other stakeholders.

Institutional Ownership

Institutional ownership is ownership owned by other institutions or institutions which generally have substantial value (Madura, 2006 in Dwiastuti, 2017: 508). Large ownership allows institutional investors to hold company managers accountable and control in order to make the right decisions. This well-made decision can in turn benefit shareholders. Institutional share ownership is a form of concentrated share ownership. Institutional ownership that has more control over management is considered to be able to monitor effectively and can be a mechanism to monitor management performance.

Institutional ownership generally has a larger number than common individual ownership. This large ownership increases the control that institutional shareholders have over management decisions. The larger shareholdings held by institutional parties lead to greater surveillance efforts to prevent earnings management.

Chen, Weng, and Lin (2017: 15) state that the greater the proportion of existing institutional ownership, the less informative the earnings are presented in the financial statements. This shows the tendency for opportunistic behavior to avoid direct losses that occur due to poor company performance. However, Mansoreh and Alireza (2016: 10) reveal that institutional ownership does not have a significant effect on income smoothing practices.

H6: Institutional ownership has an influence on income smoothing practices

Auditor's Reputation

Jensen and Meckling (1976) in Saputri, Auliyah, and Yuliana (2017: 130) argue that auditing is a process of monitoring and increasing the alignment of information that exists between management and shareholders. The importance of auditor supervision for companies makes audit quality an important thing that must be considered. Audit quality is the ability of an auditor to find a violation in client financial reporting and report the violation (De Angelo, 1981 in Saputri, Auliyah, and Yuliana, 2017: 130). The quality of the audit results is considered closely related to the size of the public accounting firm (KAP) that carries out audits of financial statements.

Auditor reputation is generally related to the auditor rank which is divided into Big Four and non-Big Four. The Big Four public accounting firm (KAP) is considered to have a better capacity in carrying out audit work. So that a good auditor reputation provides more confidence in the competence of the audit results provided and can encourage the implementation of good corporate governance. Thus, the auditor's reputation is considered to reduce the tendency of management to implement income smoothing practices.

Yunengsih, Icih, and Kurniawan (2018: 49) state that the auditor's reputation has an influence on the tendency of income smoothing practices. In this study, it was stated that the higher the auditor's reputation value, the lower the income smoothing practice. So that companies that use Big Four auditors can reduce the tendency of income smoothing practices by the company. However, Saputri, Auliyah, and Yuliana (2017: 138) state that auditor reputation does not significantly affect income smoothing practices. This shows that a good auditor reputation cannot minimize the income smoothing practices that occur.

H 7: Auditor's reputation has an influence on income smoothing practices

Independent Board of Commissioners

Independent commissioners are members of company commissioners who are not affiliated with other commissioners, members of the board of directors and controlling shareholders. The controlling shareholder in question is the shareholder owning 20% or more of the company's shares. In other words, the controlling shareholder has the ability to determine the management or company policy, either directly or indirectly. In an effort to realize *Good Corporate Governance* in the company, the composition of the company's board of commissioners must come from independent circles. The independent commissioner aims to increase the effectiveness of supervision and transparency because members of the independent board of commissioners must be free from the influence of the board of directors and controlling shareholders (Firza, Agustina, and Barus, 2019: 176).

The independent commissioner aims to increase the effectiveness of supervision and transparency in business activities that occur. With the supervision by an independent board of commissioners, the tendency for management to practice income smoothing can decrease. Good supervision can be realized because independent commissioners are commissioners who have no special relationship with other commissioners, members of the board of directors and controlling shareholders. Thus, the independent board of commissioners can move freely in carrying out its functions and is not involved in the interests of a party.

Putri (2019: 100) states that *good corporate governance* proxied by independent commissioners has a significant effect on income smoothing practices. On the other hand, Hertika, Mawardi, and Anwar (2020: 150) and Firza, Agustina, and Barus (2019: 138) state that the independent board of commissioners cannot have a significant effect on income smoothing practices. This shows that the supervisory function of the independent board of commissioners cannot minimize income smoothing practices that occur in the company.

H 8: The independent board of commissioners has an influence on income smoothing practices
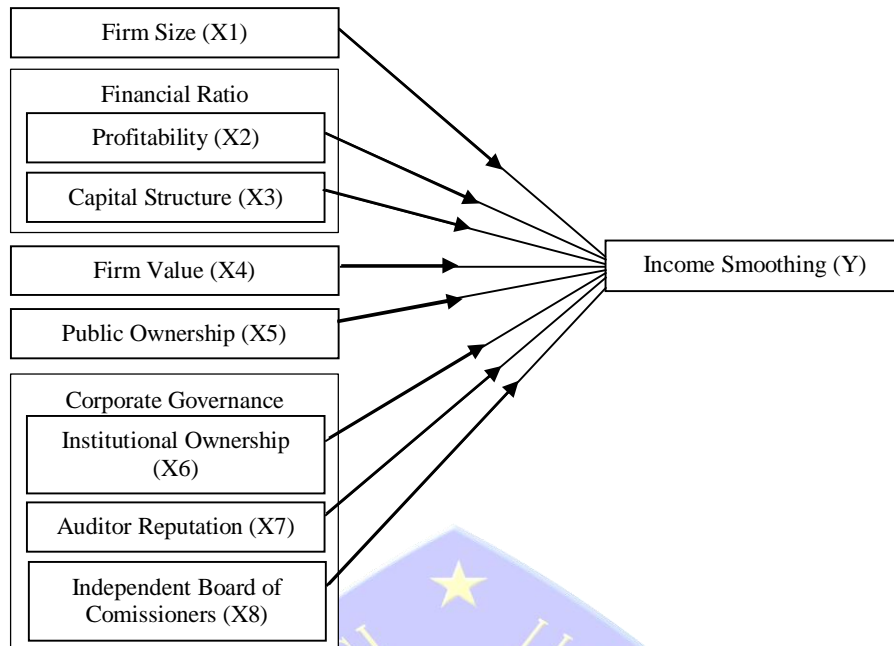
Research Conceptual Framework

Figure 1. Conceptual Framework

Figure 1 shows the relationship between the variable firm size (X1), profitability (X2), capital structure (X3), firm value (X4), public ownership (X5), and corporate governance proxied by institutional ownership (X6), auditor reputation (X7)), and the independent board of commissioners (X8) on the income smoothing variable (Y).

III. RESEARCH METHOD
Research Strategy

The research strategy used in this research is to test the causality hypothesis. The causal hypothesis is an answer or provisional assumption to the problem formulation that questions the influence of predictor factors on the response variable. Causal research is research that explains the cause-effect relationship between variables in research (Sugiyono, 2017: 10). This research includes quantitative research. Quantitative research tends to see a causal relationship between variables so that there are independent and dependent variables in it (Sugiyono, 2017: 11). This study seeks to explain the influence of the independent variables, namely firm size, financial ratios, firm value, public ownership, and corporate governance on income smoothing practices as the dependent variable.

Research Population

Population is all subjects or objects that are in an area and meet certain requirements related to research problems (Martono, 2016: 76). The population is not only people but also includes objects and other natural objects that have characteristics that have been determined by researchers for further study (Sugiono, 2017: 80). The population in this study is the general population, namely all insurance companies listed on the Indonesia Stock Exchange (BEI) as many as 16 companies.

Research Sampel

The sample is part of the population that has certain conditions or characteristics to be studied (Martono, 2016: 76). Samples can also be defined as members or part of the population selected by certain procedures in order to represent the population (Martono, 2016: 76-77). The use of samples

in research provides advantages such as making it easier for researchers to research because the number of samples is less than the population, research can be carried out more efficiently, data collection is more thorough and careful, and helps research to be more effective (Martono, 2016: 77).

This study uses a nonprobability sampling technique, namely purposive sampling. Purposive sampling is a sampling technique with certain considerations. With predetermined criteria, a sample of 80 test data was obtained. In this study the considerations used are in accordance with the research objectives, namely:

1) Companies that made an initial price offering no later than 2012.
2) Insurance companies listed on the Indonesia Stock Exchange in 2012-2019.
3) Companies that submit audited financial reports for the years 2012-2019.

Table 1: List of Sample Companies

No	Kode Saham	Nama Emiten	Tanggal IPO
1	ABDA	Asuransi Bina Dana Arta Tbk	06/07/1989
2	AHAP	Asuransi Harta Aman Pratama Tbk	14/09/1990
3	AMAG	Asuransi Multi Artha Guna Tbk	23/12/2005
4	ASBI	Asuransi Bintang Tbk	29/11/1989
5	ASDM	Asuransi Dayin Mitra Tbk	15/12/1989
6	ASJT	Asuransi Jaya Tania Tbk	23/12/2003
7	ASRM	Asuransi Ramayana Tbk	19/03/1990
8	LPGI	Lippo General Insurance Tbk	06/09/2005
9	MREI	Maskapai Reasuransi Indonesia Tbk	04/09/1989
10	PNIN	Paninvest Tbk *d.h Panin Insurance Tbk*	20/09/1983

The table above shows the sample companies that comply with the sample selection procedure based on predetermined criteria. Companies that match the sample criteria are as many as 10 companies listed on the Indonesia Stock Exchange (IDX) with the 2012-2019 observation year so that 8 years of observation are obtained. Thus the observational data obtained were 80 observations of data.

Data and Data Collection Methods

This research uses quantitative data collection techniques. Quantitative research is carried out by collecting data in the form of numbers and also data in the form of sentences or words that are converted into numbers (Martono, 2016: 20). Quantitative research has four forms, namely survey research, experimentation, content analysis, and secondary data analysis. This study uses secondary data analysis, which is carried out by utilizing available data on www.idx.co.id, which is the official website of the Indonesian stock exchange.

This study uses secondary data, namely data that does not need to be processed first. Secondary data used are financial reports and annual reports of companies in the insurance sector listed on the Indonesia Stock Exchange (IDX) during 2012 to 2019 and have been audited by an independent auditor. This data was obtained by accessing the IDX official website, namely www.idx.co.id and the website www.sahamok.com.

Variable Operationalization

1) The firm size variable in this study is calculated using the natural logarithm (Ln) of the company's total assets. Machfoedz (1994) in Yunengsih, Icih, and Kurniawan (2018: 41) states that the measurement of company size can be done using the natural logarithm (Ln) of total assets. Company size is a description of the company's financial capacity in a certain period

based on its assets. The greater the assets owned by the company, the greater the size of a company.

$$Firm\ Size = Ln(Total\ Asets) \tag{1}$$

2) The financial ratio variable in this study is calculated using financial ratios. In this study the ratios used were (1) Return on Asset and (2) Debt to Asset. These two ratios have different functions from each other. Further explanation of the two ratios is given below.

   (1) Return on Assets (ROA) is a ratio that can be used to analyze the company's profitability. This ratio describes the asset turnover as measured by sales volume. The higher the return (profit) from the use of company assets, the more effective the company is. Kieso, Weygandt, and Warfield (2018: 717), state that ROA can be calculated by comparing net income after tax with the total assets owned by the company.

$$ROA = \frac{Earning\ after\ Tax}{Total\ Assets} \tag{2}$$

   (2) Debt to Asset (DAR) in this study is used to measure the capital structure sub-variable. Debt to asset ratio (DAR) is a ratio used to measure the ratio between total debt and total assets. Kieso, Weygandt, and Warfield (2018: 718), state that DAR can be calculated by comparing total debt with total assets owned by the company.

$$DAR = \frac{Total\ Liabilities}{Total\ Assets} \tag{3}$$

3) The variable of firm value in this study is calculated by the ratio of Price to Book Value (PBV). Measurement of company value is often carried out using an assessment ratio consisting of Price to Earning Ratio (PER), Price to Book Value (PBV), and Tobin's Q Ratio. This study uses PBV which compares the market price per share with book value per share (Subramanyam, 2017: 39). The higher the result of this ratio, the better the value given to the company by the financial market.

$$PBV = \frac{Market\ value\ of\ shares}{Book\ value\ of\ shares} \tag{4}$$

4) The variable of public ownership in this study is measured by comparing the number of shares outstanding with ownership below 5% with all shares outstanding. Public ownership of the company's outstanding shares owned by the general public outside the company environment.

$$Public\ Ownership = \frac{Shares\ owned\ by\ Public}{Total\ Shares} \tag{5}$$

5) In this study corporate governance is measured using (1) institutional ownership, (2) auditor reputation, and (3) independent board of commissioners as a proxy.

   (1) Institutional Ownership is ownership owned by other institutions or institutions which generally have substantial value. Institutional ownership is calculated by comparing the shares owned by the institution with the total shares outstanding.

$$Institutional\ Ownership = \frac{Shares\ owned\ by\ Institution}{Total\ Shares} \tag{6}$$

   (2) The auditor's reputation is calculated using a dummy, if the company uses the services of a Big Four independent auditor, then the value is 1 and if the company uses the services of a non-Big Four independent auditor, the value is given . The better the reputation of the independent auditor is used, the better the supervision. given to the company's financial statements.

   (3) An independent board of commissioners is a member of a company commissioner who is not affiliated with other commissioners, members of the board of directors and controlling shareholder. Independent commissioners are calculated by comparing the number of independent commissioners with the total number of commissioners.

$$Independent\ Board\ of\ Comissioners = \frac{Number\ of\ independent\ comissioner}{number\ of\ total\ comissioners} \tag{7}$$

6) The practice of income smoothing in this study is calculated as a dummy variable . Measurement of income smoothing practice can be done using the Eckel Index where if the EKEL index result is less than 1, the company is classified as an income smoother, whereas if the EKEL index result is more than 1, the company is classified as a non -income smoother (Eckel, 1981 in Nurani and Dilak, 2019: 155).

$$Indeks\ Eckel = \frac{CV\ \Delta I}{CV\ \Delta S} \qquad (8)$$

Explanaton:
ΔI   =   Change in profit in one period
ΔS   =   Income change in one period
CVΔI   =   The coefficient of variation for changes in earnings
CVΔS   =   The coefficient of variation for changes in income

Where CVΔI and CVΔS can be calculated as follows:

$$CV\Delta I\ atau\ CV\Delta S = \sqrt{\frac{\sum(\Delta x - \Delta \overline{x})^2}{n-1}} : \Delta \overline{x} \qquad (9)$$

Explanation:
Δx = Change in net income / profit (I) or income (S) between year n and year n-1
$\Delta \overline{x}$ = The average change in net income / profit (I) or income (S) between year n and year n-1
n = Many years of research

IV. RESULTS
Descriptive Statistics
    Descriptive statistics are used to present information related to the minimum, maximum and standard deviation of the research variables.

Income Smoothing
Tabel 2: Profit Smoothing Company Status (Y)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Income Smoothing	16	20.0	20.0	20.0
	Income Smoothing	64	80.0	80.0	100.0
	Total	80	100.0	100.0	

Source: Output SPSS Version 23

    The table above illustrates the income smoothing practices in the insurance sector companies that are detected using the Eckel index. Based on the data that has been shown, it is known that of the 80 observational data, there are 16 or as much as 20% of the observation data that are indicated as not a profit smoother. From this data it is also known that as many as 64 or 80% of the observation data there is an indication of income smoothing in it.

Research Independent Variables
    Descriptive statistical analysis of independent variables consisting of company size, profitability, capital structure, firm value, auditor reputation, institutional ownership, public

ownership, and the independent board of commissioners begins with data collection from financial reports that have been submitted to the Indonesia Stock Exchange (IDX) in 2012-2019.

Tabel 3: Descriptive Statistics of Company Size, Profitability, Capital Structure, Company Value, Public Ownership, Institutional Ownership, and Independent Board of Commissioners

	N	Minimum	Maximum	Mean	Std. Deviation
SIZE	80	25.97	31.10	28.0596	1.19777
ROA	80	-.20	.12	.0447	.04248
DAR	80	.14	.85	.5704	.17226
PBV	80	.11	6.39	1.2992	1.27353
KP	80	.02	.65	.2614	.15695
KI	80	.24	.98	.6638	.20675
DKI	80	.00	.75	.4730	.17082
Valid N (listwise)	80				

Source: Output SPSS Version 23

After the data was collected, the data were analyzed using descriptive statistics. Descriptive statistical analysis of the independent variables was carried out to determine the percentage proportion of each independent variable and companies that use Big Four and non-Big Four KAP services. The results of the descriptive statistical analysis are shown in the table below.

Tabel 4: Auditor's Reputation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	KAP non-Big Four	65	81.3	81.3	81.3
	KAP Big Four	15	18.8	18.8	100.0
	Total	80	100.0	100.0	

Source: Output SPSS Version 23

The table above shows the use of the Big Four and non-Big Four independent auditor services for the insurance companies that were sampled in this study. From the table above, it is known that from the 80 observational data, it is found that 65 observational data uses the services of an independent non-Big Four auditor or as much as 81.3% of the total observation data. In addition, 15 other observational data used the Big Four auditor service or 18.8% of all observational data.

Testing the Logistic Regression Analysis Model
Testing the Overall Model (Overall Model Fit)

Tabel 5: Comparison of Initial Log Likelihood Scores with -2 Final Log Likelihood

Initial -2 Log Likelihood (Block Number = 0)	80,525
Final -2 Log Likelihood (Block Number = 1)	37,609

The above table shows that the statistical value of -2 Log Likelihood early without independent variables, amounting to 80.525 and the value of -2 Log Likelihood end after the independent variables included is 37.609. This shows that there is a decrease of 42,916 from -2 initial Log Likelihood to -2 final Log Likelihood. Thus, because the initial -2 Log Likelihood value is greater than -2 final Log Likelihood, the logistic regression model is good. This also shows that the addition of company size, profitability, capital structure, firm value, auditor reputation, institutional

ownership, public ownership, and independent board of commissioners into the model shows the hypothesized model is fit with the data.

Coefficient of Determination (Nagelkerke R Square)

The coefficient of determination shows how much variability the independent variables are able to explain the variability of the dependent variable. The coefficient of determination in the logistic regression model is seen through the Nagelkerke R Square value. The Nagelkerke R Square value can be interpreted as the R Square value in multiple regression. This value is obtained by dividing the Cox and Snell R Square values by their maximum values. The test results for the coefficient of determination are presented in the table below.

Tabel 6: Model Summary

Step	-2 Log likelihood	Cox dan Snell R Square	Nagelkerke R Square
1	38.368[a]	.406	.651

a. Estimation terminated at iteration number 8 because parameter estimates changed by

less than ,001.

Source: Output SPSS Version 23

The Nagelkerke R Square value based on the table above is 0.651. The Nagelkerke R Square figure means that the variability of the dependent variable which can be explained by the independent variable is 65.1% and the remaining 34.9% is explained by other variables not included in the research model.

Testing the Appropriateness of the Regression Model (Goodness of Fit Test)

Testing the feasibility of the logistic regression model is done by using the goodness of fit model which is measured by looking at the Chi square value in the Hosmer and Lemeshow test. The results of the Hosmer and Lemeshow test can be seen in the table below

Tabel 7: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	8.134	8	.420

Source: Output SPSS Version 23

The table above shows that the chi square value is 8,134 with a significance probability of 0.420. It can be seen that the significance value is greater than 0.05 so that the model is accepted because it is in accordance with the observation data. Thus the regression model in this study is suitable for use in further analysis.

Logistic Regression (Multivariate) Hypothesis Test Results

Hypothesis testing (multivariate) is used to test hypotheses in research regarding whether or not the independent variables influence the dependent variable. The results of this logistic regression hypothesis test are displayed in the variable in the equation. Hypothesis testing in logistic regression is carried out by looking at 1 Variable in the Equation then comparison the Significant column with a 0.05 level ($\alpha = 0.05$). If the level of significance is less than the level of acceptance (0.05), the research hypothesis is accepted. In testing the logistic regression equation, the regression model is obtained in the table below.

Tabel 8: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	SIZE	.337	.496	.463	1	.496	1.401
	ROA	21.091	10.017	4.433	1	.035	1444801685.943
	DAR	14.703	5.579	6.947	1	.008	2428946.355
	PBV	1.845	1.696	1.184	1	.277	6.331
	KP	12.872	5.580	5.321	1	.021	389378.289
	KI	7.726	3.861	4.004	1	.045	2266.657
	RA	18.540	9060.346	.000	1	.998	112691251.440
	DKI	-1.241	4.598	.073	1	.787	.289
	Constant	-25.925	18.457	1.973	1	.160	.000

a. Variable(s) entered on step 1: SIZE, ROA, DAR, PBV, KP, KI, RA, DKI.
Source: Output SPSS Version 23

Based on the table above, the regression equation is obtained as follows

$$ISi,t = -25{,}925 + 0{,}337 \text{ SIZE} + 21{,}091 \text{ ROA} + 14{,}703 \text{ DAR} + 1{,}845 \text{ PBV} + 12{,}872 \text{ KP} + 7{,}726 \text{ KI} + 18{,}540 \text{ RA} - 1{,}241 \text{ DKI} + e$$

Interpretation of Research Results

This study examines the effect of company size, profitability, capital structure, firm value, auditor reputation, institutional ownership, public ownership, and independent board of commissioners as independent variables on income smoothing as the dependent variable, in 80 samples obtained from insurance companies that meet the selection criteria. sample. Based on the results of statistical testing that have been carried out on the regression model, the hypothesis testing results are obtained which can be seen in the table below.

Tabel 9: Research Hypothesis Testing Results

Hypothesis	Hypothesis	Hypothesis	Hypothesis
H1	Firm size has an influence on income smoothing practices	> 0.05	Rejected
H2	Profitability has an influence on income smoothing practices	<0.05	Be accepted
H3	The capital structure has an influence on income smoothing practices	<0.05	Be accepted
H4	Firm value has an influence on income smoothing practices	> 0.05	Rejected
H5	Public ownership has an influence on income smoothing practices	<0.05	Be accepted
H6	Institutional ownership has an influence on income smoothing practices	<0.05	Be accepted

H7	The auditor's reputation has an influence on income smoothing practices	> 0.05	Rejected
H8	The independent board of commissioners has an influence on income smoothing practices	> 0.05	Rejected

The following is an explanation of the effect of each independent variable on the dependent variable:

The Influence of Company Size on Income Smoothing Practices

The first hypothesis in this study is that company size has an effect on income smoothing practices. The test results of the hypotheses contained in the table above show that company size has a significance level of 0.496. The significance level is greater than the significance level of 0.05 so that H 1 is rejected. Thus, based on the results of the hypothesis testing that has been carried out, the company size does not have a significant effect on income smoothing practices.

The size of the company as measured by using the natural logarithm of the company's total assets does not give a significant pressure to the company to smooth income. Although the size of the company is large, the company gets greater supervision from the public, but in the insurance company that is the sample in this study this does not affect management decisions in using accounting policies in accordance with the interests of management. The size of the company cannot significantly influence the income smoothing practice.

The results of this research hypothesis, where company size cannot be an indicator that underlies the occurrence of income smoothing practice, are in line with the research results of Yunengsih, Icih, and Kurniawan (2018: 49), Dwiastuti (2017: 516-517)), and Herdjiono, et al. (2018: 41). Even so, the results of the hypothesis test obtained in this study contradict the research results of Dewi and Suryanawa (2019: 79-80) and Manukaji and Juliana (2018: 35) where company size has a significant effect on income smoothing practices.

Effect of Profitability on Income Smoothing Practices

The second hypothesis of this study is that profitability has an influence on income smoothing practices. The results of the hypothesis testing that have been carried out show that the profitability variable has a significance of 0.035. The level of significance of profitability is smaller than the significance level of 0.05 so that H 2 is accepted. Thus the profitability variable has a significant influence on income smoothing practices based on the results of the hypothesis testing that has been carried out. Profitability has a significant positive effect on income smoothing practices so that the greater the profitability, the greater the income smoothing practice can occur.

Profitability, which is proxied by the Return on Asset ratio, which describes the company's ability to use assets to generate income, can be an indicator that underlies management's actions in smoothing income. The positive effect of profitability on income smoothing shows the tendency of management to manipulate the information they provide along with the greater income they get. This can happen because outsiders such as investors and creditors expect the company's growth to continue. The amount of revenue puts more pressure on the company, increasing the tendency of management to practice income smoothing.

The results of this study are in line with several previous studies including research by Riyadi (2018: 64), Yanti and Dwiandra (2019: 16-17), Herdjiono et al. (2018: 41). On the other hand, the hypothesis test results obtained in this study contradict previous studies including Dewi and Suryanawa (2019: 79-80) and Hertika, Mawardi, and Anwar (2020: 150-151).

Effect of Capital Structure on Income Smoothing Practices

The third hypothesis in this study is that capital structure has an influence on income smoothing practices. The test results of the hypotheses contained in the table above show that the capital structure has a significance level of 0.008. The level of significance of the capital structure variable is smaller than the significance level of 0.05 so that H 3 is accepted. Thus, based on the results of the hypothesis testing, the capital structure has a significant effect on income smoothing. Capital structure has a significant positive effect on income smoothing practices, so that the greater the capital structure ratio, the greater the tendency for income smoothing practices to occur.

The capital structure measured using the Debt to Asset Ratio illustrates how much the company's assets are funded by debt which can be used as an indicator that influences management in the occurrence of income smoothing practices. The greater the assets financed by debt, the greater the company's dependence on funding from creditors. The company's dependence on creditors' funds increases the pressure the company receives to provide good financial performance. Creditors need good financial performance as reflected in company profits as collateral because the greater the debt the company has, the greater the risk of default.

The results of this hypothesis test are in line with several previous studies by Nurani and Dilak (2019: 166). However, the results of the hypothesis test obtained in this study contradict the research results of Cahyaningrat, Widarno, and Harimurti (2018: 332) which state that the Debt to Asset Ratio has a negative and insignificant effect on the practice of income smoothing.

The Effect of Firm Value on Income Smoothing Practices

The fourth hypothesis of this study is that firm value has an influence on income smoothing practices. Based on the results of the hypothesis testing shown in the table above, the firm value has a significance level of 0.277. The significance level is greater than the significance level of 0.05 so that H 4 is rejected. Thus, based on the results of the hypothesis testing, firm value does not have a significant effect on income smoothing.

The company value measured using the Price to Book Value ratio does not affect management actions in presenting financial statements. These shows that the investors' views reflected in the stock price in the capital market do not put great pressure on company management to carry out income smoothing practices. Although providing a good company value is considered the main objective of a company, in the insurance company that was the research sample, the desire to display good company value was not able to encourage management to carry out income smoothing practices.

The results of hypothesis testing obtained in this study are in line with Riyadi's research (2018: 64). However, the hypothesis test results obtained by contradict the research of Saputri, Auliyah, and Yuliana (2017: 138), Arum, Nazar, and Aminah (2017: 76), and Herdjiono et al. (2018: 41) which states that firm value affects the practice of income smoothing in banking companies which are the research samples.

The Effect of Public Ownership on Income Smoothing Practices

The fifth hypothesis of this study is that public ownership has an effect on income smoothing. The results of the hypothesis testing that have been carried out show that the public ownership variable has a significance of 0.021. The level of significance of public ownership is smaller than the significance level of 0.05 so that H 5 is accepted. Thus, the public ownership variable has a significant influence on income smoothing practices based on the results of the hypothesis testing that has been carried out. Public ownership has a significant positive effect on income smoothing practice so that the greater the proportion of public ownership, the greater the income smoothing practice can occur.

Public ownership, which is share ownership by the general public with a small number of share ownership, shows the level of public confidence in the company's performance. With the larger the existing public ownership, the greater the expectations given to management performance. High public ownership puts greater pressure on the company to show good company performance. The increased pressure received by the company without being accompanied by the ability to provide good performance is one of the motivations for the company to carry out income smoothing practices.

The results of hypothesis testing obtained in this study contradict the results of the research of Nurani and Dilak (2019: 166) and Ernayani et al. (2020: 363-364) where public ownership does not have a significant effect on income smoothing practices.

The Effect of Institutional Ownership on Income Smoothing Practices

The sixth hypothesis of this study is that institutional ownership has an effect on income smoothing. The results of the hypothesis testing that have been carried out show that the institutional ownership variable has a significance of 0.045. The level of significance of institutional ownership is smaller than the significance level of 0.05 so that H 6 is accepted. Thus, institutional ownership has a significant effect on income smoothing practices based on the results of the hypothesis testing that has been carried out. Institutional ownership has a significant positive effect on income smoothing practice so that the greater the proportion of institutional ownership, the greater the income smoothing practice can occur.

Institutional ownership which is measured by comparing the shares owned by the institution with all shares outstanding generally has a high percentage of ownership. The high concentration of ownership that is owned gives institutional shareholders more ability to control the course of company management. The control owned by the institution is one of the driving forces for management to practice income smoothing. This is intended to avoid direct losses that occur due to the company's inability to provide good financial performance.

The results of the hypothesis test obtained in this study are in line with Chen, Weng, and Lin's research (2017: 15) and contradict the research of Dwiastuti (2017: 516-517) and Mansoreh and Alireza (2016: 10) which reveal that institutional ownership does not have significant influence on income smoothing practices. This study is also in line with the results of research by Manukaji and Juliana (2018: 35) where concentrated ownership has a positive and significant impact on income smoothing practices.

Effect of Auditor Reputation on Income Smoothing Practices

The seventh hypothesis of this study is that the auditor's reputation has an effect on income smoothing practices. Based on the results of the hypothesis testing shown in the table above, the auditor's reputation has a significance level of 0.998. The significance level is greater than the significance level of 0.05 so that H 7 is rejected. Thus, based on the results of hypothesis testing, the auditor's reputation does not have a significant effect on income smoothing.

Auditor reputation is measured by classifying companies that use the Big Four and non-Big Four independent auditor services. The use of independent auditor services with a good reputation or Big Four is expected to be able to minimize income smoothing practices that occur. However, the samples tested showed that the reputation of the auditors who examined the financial statements could not affect the income smoothing practices that occurred. So that the function of the independent auditor as a support for good company management does not have a different effect when using an independent auditor who has a good or bad reputation.

The results of this study are in line with the research of Saputri, Auliyah, and Yuliana (2017: 138). However, the results of the hypothesis test shown in the table above contradict the research

results of Yunengsih, Icih, and Kurniawan (2018: 49). Yunengsih, Icih, and Kurniawan (2018: 49) reveal that auditor reputation has a significant influence on income smoothing practices.

Effect of the Independent Board of Commissioners on Income Smoothing Practices

The eighth hypothesis in this study is that the independent board of commissioners has an effect on income smoothing practices. The test results of the hypotheses contained in the table above show that the independent board of commissioners has a significance level of 0.787. The significance level obtained is greater than the significance level of 0.05 so that H 8 is rejected. Thus, based on the results of the hypothesis testing that has been carried out, the proportion of independent commissioners does not have a significant effect on income smoothing practices.

The independent board of commissioners is a member of the board of commissioners who has no affiliation with other commissioners, the board of directors, or the controlling shareholder. The function of the independent commissioner as the party responsible for encouraging the implementation of the principles of good corporate governance in the company is expected to minimize the tendency for income smoothing practices to occur in the company. However, in this study, the independent board of commissioners did not have a significant effect on income smoothing practices. This shows that the number of independent commissioners in the study sample has not been able to provide a significant boost to the implementation of good corporate governance.

The results of hypothesis testing in this study are in line with previous research conducted by Hertika, Mawardi, and Anwar (2020: 150-151) and Firza, Agustina, and Barus (2019: 178). However, the results of hypothesis testing in this study contradict the results in Putri's research (2019: 100) where it is stated that good corporate governance is proxied by independent commissioners has a significant effect on income smoothing practices.

V. CONCLUSION AND LIMITATION
Conclusion
From the results of the tests that have been carried out, it can be concluded that:

1) Company size has no influence on income smoothing practices. These shows that the size of the company cannot be a driving force for management action to carry out income smoothing practices. Although the larger the size of the company results in greater attention and supervision received by the company, the insurance company that was the sample of this study was unable to become an indicator underlying the occurrence of income smoothing practices.

2) Profitability has a significant positive effect on income smoothing practices. This shows that the greater the level of profitability of a company, the greater the pressure received by the company to produce better financial performance than the previous period. The high pressure received accompanied by the inability of the company to provide better performance made management use financial statement manipulation as a solution.

3) Capital structure has a significant positive effect on income smoothing practices. This shows that the greater the use of debt capital used by the company, the greater the creditors' expectations of the company to provide good financial performance. The company's inability to meet creditors' expectations is one of the reasons for management to implement income smoothing practices.

4) Firm value has no influence on income smoothing practices. This shows that the company's desire to provide a good image to investors is not able to influence management to carry out income smoothing practices. The size of the company value does not have a significant effect on the tendency of income smoothing practices.

5) Public ownership has a significant positive effect on income smoothing practices that occur. Public ownership tends to put pressure on companies to perform well financially. Thus,

companies tend to practice income smoothing in line with the increasing proportion of existing public ownership.

6) Institutional ownership has a significant positive effect on income smoothing practices. This shows that high institutional ownership reduces the quality of the earnings information provided. Institutional ownership tends to encourage opportunistic actions in order to avoid direct losses from poor financial performance.

7) Auditor's reputation has no influence on income smoothing practices. The better the reputation of the independent auditor services used by the company is not able to minimize the income smoothing practices that occur. This shows that the supervisory function of Big Four KAP which is expected to be better than non-Big Four KAP in fact does not significantly influence management's actions to manipulate financial statements.

8) The independent board of commissioners has no influence on income smoothing practices. The independent board of commissioners, which is expected to be one of the agents of good corporate governance, is unable to minimize the income smoothing practices that occur. This shows that the supervisory function expected from the independent board of commissioners has not been able to prevent income smoothing actions by the company.

Research Limitations

The author is fully aware that in this study there are many limitations, including the following:

1) The number of research samples is relatively small. With an observation period of 8 years, only 80 samples were obtained. The sample also only focuses on insurance companies listed on the Indonesia Stock Exchange during the study period. The limited observation sample gives the possibility that the results obtained are less than optimal in describing the conditions of income smoothing practices in insurance companies in Indonesia.

2) The independent variables tested in this study include firm size, profitability, capital structure, firm value, and corporate governance (auditor reputation, institutional ownership, public ownership, and independent board of commissioners). There are factors outside the independent variable studied that may have an influence on income smoothing practices.

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