

Abstract:

One of the forms of earnings management, income smoothing that has attracted much attention in the accounting literature. The hypothesis suggests that the smoothing to reduce volatility of its profits for the company around a normal level seems to be consciously manipulated. The main objective of this study was to investigate the relationship between non-discretionary financial leverage and income smoothing in listed companies of the Tehran Stock Exchange. To achieve the main goal the relationship between non-discretionary financial leverage and income smoothing in the first instance in the all companies and then in large and small companies as well as companies that are facing a shortage of cash were studied. The sample consisted of 94 companies during the years 2008 to 2014. The logistic regression model was used to test the hypothesis. The results of testing showed that the overall positive relationship between non-discretionary financial leverage and income smoothing. This relationship is positive and significant in large and small companies as well as companies that are facing a shortage of cash.

Keywords: non-discretionary financial leverage, income smoothing, Cash shortage

