

ABSTRACT

Fraudulent financial reporting is an intentional misstatement of a number in financial statements that aims to deceive users of financial report. Fraudulent financial reporting is the cause of the biggest loss in the world based on three main categories of fraud or referred to as fraud tree. As a result, financial statements are not reliably presented where financial statements should be faithfully represented so that financial report users can mislead economic decisions.

This research aims to analyze the effect of pressure, opportunity, rationalization, competence, and arrogance both simultaneously and partially on fraudulent financial reporting on mining sector companies listed in Indonesia Stock Exchange period of 2013-2017.

The data used in this study is secondary data obtained from annual reports and audited financial statements of mining sector companies listed in Indonesia Stock Exchange period of 2013-2017. The sample selection technique in this study uses purposive sampling to obtain 33 mining sector companies with a five-year research period during 2013-2017 or in other words there were 165 samples units in this study. The data analysis technique used is descriptive statistics analysis and logistic regression analysis using SPSS 25 software.

The results of this study indicate that simultaneous pressure, opportunity, rationalization, competence, and arrogance significantly effect on fraudulent financial reporting on mining sector companies listed in Indonesia Stock Exchange period of 2013-2017. The test results partially show that pressure has a significant negative effect, opportunity has a significant positive effect, while rationalization, competence, and arrogance have no significant effect on fraudulent financial reporting on mining sector companies listed in Indonesia Stock Exchange period of 2013-2017.

Based on the results of this study, researchers provide theoretical and practical advice. Theoretically, the researcher gives suggestions to the next academics and researchers. Practically, researchers provide advice to companies, auditors, and stakeholders.

Keywords: *fraud pentagon, fraudulent financial reporting*