

## **ABSTRACT**

*Fraud of financial statements is an act of manipulation of financial statements that are intentionally carried out by management or individuals to obtain profits, so that it can make other parties feel disadvantaged. Fraud of financial statements at the company is not only detrimental in terms of finance, but the reputation of the company will also decrease which results in the company's ability to maintain the company and if fraudulent financial statements are not minimized can eliminate stakeholder trust. Regarding this matter, it is necessary to do research on factors that can affect fraudulent financial statements in the Trade, Service and Investment Sector companies for the 2016-2017 period.*

*This study uses a quantitative approach with descriptive verification method, while the data collection method used is to use secondary data, namely the financial statements of the Trade, Service, and Investment Sector for the period 2016-2017. The technical analysis in this study uses panel data regression which is done using the help of Eviews software.*

*Based on the results of data processing using panel data regression, it can be seen that simultaneously the factors that can influence fraudulent financial statements consisting of pressure, opportunity, rationalization, ability and arrogance have a significant influence on fraudulent financial statements. While the pressure factor partially has a significant effect on the lack of financial statements and opportunity factors, rationalization, womanhood, and partial arrogance does not have a significant effect on financial report fraud, in the Trading, Service and Investment Sector companies for the 2016-2017 period.*

*The next researchers are suggested to try other various proxies' combinations of that five-fraud factor and keep up to date in the development of fraud theory. For companies, the suggestions are always trying to be responsive to the changing of regulation and obey it so as to avoid the risk of legal and social sanctions caused by the indications of fraudulent financial reporting. Shareholders and other stakeholders are suggested to keep being prudent in the making of investment decision. For civitas academica please multiply discussions in order to deepen the thinking and understanding of accounting development, especially in the field of fraud audit and forensic accounting.*

**Keywords:** *Financial Statements*