ABSTRACT

Fraud is a misstatement in intentional financial statements. One of fraud type is fraudulent financial statement. Fraudulent financial statement is the least common fraud but has the greatest loss of impact compared to other types of fraud. This certainly can make mistakes in terms of decision making.

This study aims to determine and analyze the effect of financial stability, external pressure, financial targets, nature of industry, ineffective monitoring, change in auditors, audit opinion, change in director towards fraudulent financial statements.

The population in this study are property, real estate and building construction companies listed on the Indonesia Stock Exchange in 2013-2017. The sampling technique in this study was purposive sampling technique and obtained as many as 14 companies within a period of 5 years to obtain 70 total sample companies. The analysis technique used in this study is panel data regression analysis using EVIEWS 9 software.

The results showed that financial stability, external pressure, financial targets, the nature of industry, ineffective monitoring, change in auditors, audit opinion, change in director simultaneously influence the fraudulent financial statement. Partially, financial targets, nature of industry, ineffective monitoring has a significant positive effect on fraudulent financial statements, while financial stability, external pressure, change in auditors, audit opinions, and change in director have no effect on fraudulent financial statements.

For investors to be more careful in terms of decision making given the risk of fraudulent financial statements. Furthermore, with the results of this study, it is expected to be a material consideration in making investment decisions. For example, by considering the ratio of return on assets (ROA), the ratio of changes in accounts receivable to sales, and the number of board of commissioners owned by the company.

Keywords: fraudulent financial statement, pressure, opportunity, rationalization, capability.