

## **ABSTRACT**

*Company's financial statements must reflect the true state of the company. However, sometimes management performance is not as good as expected, so it is becoming a driving force for management to commit financial statement fraud. Fraudulent financial statements are a deliberate act in which a company presents financial statements improperly by adding or subtracting some material elements. Fraudulent financial statements will harm many parties and mislead users of financial statements in making decisions.*

*This study aims to determine the effect of pentagon fraud on fraudulent financial statements in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2019 period. The data used in this research are company's audited annual financial statements obtained from the official website of the Indonesia Stock Exchange.*

*Population in this study are food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange during in the 2016-2018 period. The sampling technique was purposive sampling and obtained 14 companies with a research period of 3 years, so that 42 samples were obtained. The data analysis method used in this study is multiple linear regression analysis with the help of SPSS 25 software.*

*The results of this study indicate that simultaneous financial stability (ACHANGE), external pressure (LEV), ineffective monitoring (BDOUT), change in auditor (AUDCHANGE), change in director (DCHANGE) and frequent number of CEO picture (CEOPIC) have a significant effect on fraudulent financial statements. Partially, financial stability (ACHANGE) has a significant effect on financial statement fraud. External pressure (LEV) does not affect financial statement fraud. Effective monitoring (BDOUT) has no effect on financial statement fraud. Change in auditor (AUDCHANGE) does not affect financial statement fraud. Change in director (DCHANGE) has a significant effect on financial statement fraud. Frequent number of CEO picture (CEOPIC) does not affect financial statement fraud.*

*Based on the results of the study, financial stability and change in director need to be taken into consideration in the detection of financial statement fraud, because in this study financial stability and change in auditors have a significant effect on financial statement fraud.*

*Keywords: Financial Statement Fraud, Pentagon Fraud*