

ABSTRACT

Reliable financial statements are financial statements that can be verified or tested for correctness and are free from material misstatements caused by errors, errors, and fraud that can affect company management decisions. This study aims to examine fraud diamond factors and firm size that can help to find out fraudulent financial statement that occurs in companies. This study uses fraud diamond theory and adds a new variable as a predictor of fraudulent financial statement, namely company size.

This research uses data from consumer non-cyclical sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The data collection process used is purposive sampling. The research method used was data analysis which was used panel data regression using STATA 17 software. The results of the study of 12 companies indicated financial statement fraud and 120 other companies were not indicated to commit financial statement fraud.

The result of this study is that the variable of opportunity (nature of industry) negatively affects financial statement fraud. While the variables of pressure (financial stability), rationalization (change of auditors), ability (change of directors), and company size do not affect financial statement fraud. Recommendations for subsequent researchers to use other proxies of diamond fraud, use research objects other than the primary consumer sector, and use other variables that are suspected to be one of the determining factors for financial statement fraud.

Keywords: fraud diamond, fraudulent financial statement, firm size