

Determinants of Financial Report Fraud: Testing Fraud Triangle Theory, Study on Public Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the effect of Pressure variables proxied by the company's financial targets and external pressure on Financial Statement Fraud, knowing the effect of internal Supervision variables proxied by the number of Independent Commissioners on Financial Report Fraud and to determine the effect of Rationalization variables proxied by auditor changes and change of directors towards Financial Report Fraud.

The population in this study were all public companies identified as cheating practices by the Financial Services Authority in the 2015-2016 period. Based on the purpose of the analysis in this study, samples were taken using purposive sampling technique. The dependent variable in this study is Financial Report Fraud. This variable is measured using a dummy variable, that is the value (1) is given to companies that commit Financial Report Fraud, while the value (0) is given to companies that do not practice Financial Report Fraud. Independent variables include pressure variables, internal supervision variables, and rationalization variables. The sample in this study consisted of 36 sample firms and 36 comparison firms.

The results of the study indicate that there are still quite a number of public companies listed on the Indonesia Stock Exchange committing fraud, where such actions will harm the investors and the government. The results also succeeded in identifying a number of things that motivate companies to commit fraud, including the External Pressure variables derived from the company's taking a funding policy that originated from excessive debt, Internal Pressure in the form of company Financial Targets that must be achieved or required, and Internal Supervision the weak result from the composition of the independent board of commissioners is less than the total number of commissioners appointed by the company.

Kata Kunci: Financial Report Fraud, Pressure, Internal Supervision and Number of Independent Commissioners