

**ANALYSIS OF FRAUD DIAMOND EFFECT
ON FINANCIAL STATEMENTS**

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ABSTRACT

Fraud committed in the financial statements aims to provide good value to a company to get a lot of investment from investors. So in this study fraud diamond analysis that trigger the possibility of a cheating as an independent variable. From fraud diamond researchers take 7 independent variables: financial stability, external pressure, financial target, nature of industry, ineffective monitoring, rationalization and capability. And for the dependent variable fraudulent financial statements proxied by Beneish M-score to measure fraudulent financial statements.

Total of 538 companies listed on the IDX (Indonesia Stock Exchange) in the period 2012-2016 or for 5 years are used as population and use purposive sampling technique. Testing of this research is done by logistic regression analysis and SPSS (Statistical Package for the Social Science) version 21 which is a software is used in data testing.

The result of concluding that only financial target variables have a significant positive effect and financial stability, rationalization variables have a significant negative effect on financial report fraud. Whereas for external pressure variables, nature of industry, ineffective monitoring and capability have no significant effect on financial statement fraud.

Keywords: *fraud diamond, Beneish M-Score, fraudulent financial statement.*