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THE EFFECT OF FINANCIAL RATIOS IN DETECTING FRAUDULENT COMPANY LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

Financial statements are means used by entities to communicate financially related circumstances to interested parties both related to the entity's internal and external entities. There are various types of fraud occur in the companies. Types of fraud cases that often occur are asset misappropriation and fraudulent financial statements. Asset Misappropriation is the kind of act of fraud committed by using or taking company property for personal gain. Fraudulent financial statements are defined as fraudulent actions committed by the manager of the company which in the form of material misstatement in the financial report for the purpose to attract the investor. The fraud can be financial or non-financial.

This study is meant to examine the effect of financial ratios in detecting fraudulent company. The independent variable used in this study consisted of 5 variables: leverage, profitability, asset composition, liquidity and capital turn over. This study used the financial statements listed on the Indonesia Stock Exchange (IDX) as samples. The sampling technique used in this study was purposive sampling. The period range of the financial statements used in this study is 2014-2018 or the range of 5 years. Collected data are then tested via SPSS software.

Keywords : Fraudulent Financial Statement, Leverage, Profitability, Asset Composition, Liquidity dan Capital Turn Over.