

ABSTRACT

Fraud of financial reporting is a deliberate action that causes people or groups to obtain certain benefits. Fraud of financial reporting is the cause of the biggest loss in the world based on three main categories of fraud or referred to as fraud tree. As a result, financial statements are not presented reliably (reliable) where financial statements should be expressed faithfully so that they can mislead financial statement users in making economic decisions.

This study aims to examine the effect of fraud in Pentagon fraud theory (pressure, opportunity, rationalization, ability, and arrogance) on fraudulent financial reporting using the Beneish M-score model in mining companies listed on the Indonesia Stock Exchange for the period 2014-2017.

The data used in this study are secondary data in the form of annual reports and audited financial statements of companies that are used as research samples. The sample selection technique in this study used purposive sampling to obtain 28 mining sector companies with a four-year study period, 2014-2017 or in other words, there were 112 samples in this study. Based on the studentized and cook's test, there are 18 disturbing outlier data, which are excluded from the sample of this study. Thus the amount of data becomes 94. The data analysis technique used is descriptive statistical analysis and logistic regression analysis using SPSS 25.

The results showed that financial stability, ineffective monitoring, auditor turnover, changes in directors and the frequency of CEO photo appearances had a simultaneous effect on fraudulent financial reporting. Partially auditor turnover and the frequency of CEO photo appearances have a positive effect on fraudulent financial reporting. While financial stability, ineffective monitoring and changes in directors have no effect on the fraudulent financial reporting.

The results of the study are expected to be used as a reference and for future researchers, it is recommended to add the period of research and can use different research objects. For company management, it is advisable to be more careful in presenting fraudulent financial statements and for investors, the results of research that affect fraudulent financial reporting can be used as material for evaluation when making decisions.

Keywords: *Beneish M-Score, Fraud, Fraud Pentagon, Fraudulent Financial Reporting.*