

## **ABSTRACT**

*The purpose of financial statements is to provide information that is useful for investors and creditors in making decisions regarding investment and credit. fraud is an act that violates the law which results in reduced assets of an organization or company and can reduce the reputation of an organization or company. The Association of Certified Fraud Examiners (ACFE) revealed that the biggest cause of financial losses in the world was fraudulent financial reporting. ACFE said that the manufacturing industry is ranked second as the most frequent fraud in the world.*

*This study aims to determine fraud pentagon factors (pressure, opportunity, rationalization, ability, and arrogance) and fraudulent financial statements. This study also aims to investigate the influence of the fraud pentagon on fraudulent financial statements in food and beverage sub sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) period 2013-2017.*

*This study uses secondary data from the annual report of food and beverage sub sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2013-2017. The number of samples used was 14 companies and data processing was carried out using Eviews version 9.*

*Based on the test results, fraud pentagon simultaneously has a significant effect on fraudulent financial statements. Partially it can be concluded that rationalization has a positive effect on fraudulent financial statements. While the variables of pressure, opportunity, capability, and arrogance do not affect the fraudulent financial statement.*

**Keywords:** *Fraud Pentagon; Fraudulent Financial Statement*