

ABSTRACT

The financial statements produced by the company must reflect the true state of the company and do not contain errors. But sometimes management performance is not as good as expected so that it can be a gap for fraudulent financial reporting.

This study aims to determine the effect of fraud pentagon on fraudulent financial reporting in the consumer goods industry sector companies registered in Indonesian Stock Exchange period 2015-2017. The data used in this study was obtained from annual report data. The annual report used is obtained from the official website of the Indonesia Stock Exchange.

The population in this study is the consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2015-2017. The sampling technique used was purposive sampling and obtained 31 companies with a research period of 3 years, so that 93 sample data were obtained. The data analysis method used in this study is multiple regression analysis using SPSS 25 software.

The results of this study indicate that simultaneously financial stability (ACHANGE), external pressure (LEV), external auditor quality (EXTAUD), change in auditor (AUDCHANGE), change in director (DCHANGE) and frequent number of CEO's picture (CEOPIC) have a significant effect on fraudulent financial reporting (FSCORE). Partially financial stability (ACHANGE) does not have significant effect on the positive direction of fraudulent financial reporting. External pressure (LEV) does not have significant effect on the negative direction of fraudulent financial reporting. External auditor quality (EXTAUD) does not have significant effect on the positive direction of fraudulent financial reporting. Change in auditor has a significant effect on the positive direction of fraudulent financial reporting. Change in director (DCHANGE) has no significant effect on fraudulent financial reporting. The frequent number of CEO's picture (CEOPIC) does not have significant effect on the negative direction of fraudulent financial reporting.

Based on the results of the research that has been done, the change in auditor needs to be taken into consideration because in this study change in auditor has a positive effect on fraudulent financial reporting. The more frequent auditor changes, the higher the likelihood of fraudulent financial reporting.

Keyword: Fraud Pentagon, Fraudulent Financial Statement