

## **ABSTRACT**

*Financial statements are important instruments in a company that shows the company's financial condition. However, as a company develops, there are loopholes in financial reports to manipulate financial statements. Then it will cause losses to users of financial statements, especially investors who experience large losses.*

*This study aims to analyze diamond fraud which consists of pressure, opportunity, rationalization, and capability factors that influence employees to commit fraud on fraud reports. Another objective is to find out the number of samples that indicated fraud. The data used is secondary data derived from the company's financial statements and annual reports on the property sector, real estate, and building construction period 2015-2019. The number of companies in this study was 18 companies. The analytical technique used is the data regression panel.*

*The results of the study simultaneously show that external pressure, financial targets, financial stability and the nature of industry have a significant effect on financial statement fraud. While ineffective monitoring, change in auditor, and change of directors do not have a significant effect on financial statement fraud. Partial test results show that external pressure and the change of directors have a positive effect on financial statement fraud. Whereas financial targets, financial stability, nature of industry, ineffective monitoring, change in auditor have no effect on financial statement fraud.*

*Keywords: diamond fraud, financial statement fraud and earning management.*