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ANALYSIS OF FINANCIAL STATEMENTS FRAUD THROUGH FRAUD DIAMOND FACTORS

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Abstract

This study aimed to analyze the causality of fraud diamond factors are pressure, opportunity, rationalization, and capabilities affect to financial statements fraud is proxied by earnings management. At each factor measured by multiple dimensions and indicators. Pressure factors measured by the dimensions of financial stability, external pressure, personal financial needs and financial targets. Opportunity factors measured by the dimensions of nature of industry, ineffective of internal control components and organizational structure. Rationalization factors measured by the dimension of auditor change and audit report. Capability factors measured by perpetrator's CEO and CFO. This study uses secondary data derived from the annual financial statements published in www.idx.co.id or idxfactbook the period 2009 – 2012 on banking industries. The sample was banking companies listed in Indonesia Stock Exchange in 2012. The research sample selection using purposive sampling method with some criteria's. Total sample is 28 banking firm with observation period is 4 (four) years. The research data were analyzed using multiple regressions. The type of earning management in this research is opportunistic behavior. Opportunistic behavior is behavior manager to maximize his utility in the face of compensation contracts, debt contracts and political costs. The results showed that the dimension of financial stability and personal financial needs on the pressure factor, dimension of relationship between management and auditor on the rationality factors have positive effect on the financial statements fraud. Other dimensions are external pressure; financial targets, nature of industry, the ineffectiveness of the internal control components; organization structure, perpetrator CEO and perpetrator CFO do not have effect to the financial statements fraud. Managerial implications of this study can be used as a reference source for the management to manage of the entity by knowing the factors that give rise to fraud in order to take precautions fraud. The theoretical implications of this study support the agency theory, the hypothesis of positive accounting theory, and the theory of fraud that individuals will act on his/her interests as opportunist behavior.

Keywords: opportunistic, fraud, financial statement, fraud diamond.

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