ABSTRACT

Mhd Zaki Faiz Albar, Student ID. 7193520017, The Likelihood of Fraudulent Finacial Reporting (Using The Fraud Pentagon Model on Indonesia's Public Listed Banking Companies). A Thesis, Accounting Major, Department of Accounting, Faculty of Economics. State University of Medan, 2023.

Fraudulent financial reporting within the banking industry poses significant threats to financial stability, public trust, and the overall integrity of the global financial system. This study aims to investigate and analyze the likelihood of fraudulent financial reporting in the banking sector by employing the Fraud Pentagon Model as a comprehensive framework for understanding the multifaceted nature of banking fraud. By examining the five elements of the Fraud Pentagon Model, pressure, rationalization, opportunity, capability, and arrogance, this research provides valuable insights into the motivations, methods, and consequences of fraudulent financial reporting within the banking industry.

This study aims to examine the Pentagon fraud model in banking companies listed on the Indonesia Stock Exchange (IDX) 2017-2021. The variables used in Pentagon fraud include the ratio of shares owned by management, ineffective monitoring, change in external auditors, change in directors, and the frequent number of CEO pictures. Meanwhile, the measurement variable for fraudulent financial reporting uses earnings management by Jones Modified Model by Dechow. The data collection method in this study using secondary research and analyzed using multiple regression analysis using SPSS 26.

The goals of this study to determine whether the elements in the Fraud Pentagon Theory can be used to detect fraud that may occur in the sample company. This study was found out that a change in auditors positively affects the detection of fraudulent financial reporting. In contrast, shares owned by management, audit committees with financial backgrounds, changes in directors, and the frequent number of CEO pictures do not show any effect on detecting fraudulent financial reporting.

Keywords: Fraud, Fraudulent Financial Reporting, Earning Management, Fraud Pentagon Model