# **ABSTRACT**

Cathy Drice / 36150215 / 2019 / *The Detection of Fraudulent Financial Statement Using the Diamond Fraud Model* / Dr. Nunung Nuryani, M.Si., Ak., CA.

*Information in financial statement is an important information for investors in making investment decisions. Therefore, the information must be relevant and represented accurately. However, since the global financial crisis in 2008, many financial reports have not been properly represented by management. Management manipulates the financial statements to make the investors believe that the company has a good financial condition and performance. The elements of fraud in the fraud diamond model are the causes that encourage management to commit fraud. Therefore, this study aims to test again the detection of fraudulent financial reporting using the fraud diamond model in the financial industry.*

*The agency theory states that there is an incompatible conflict of interest between shareholders and management so that financial information is often not delivered in accordance with the actual condition of the company. The asymmetry is considered to encourage, provide opportunities, and / or rationalize management to manipulate financial statements.*

 *This research is using secondary data observation technique which acquired from annual financial reports for companies in financial industries that are listed on the Indonesia Stock Exchange in 2010-2017 period. By using the judgment sampling method, 56 companies sample are acquired. The data analysis technique used for hypothesis test is simple linear regression analysis.*

 *The results of this study indicate that together the variables of financial stability, external pressure, personal financial needs, financial targets, the nature of the industry, effective monitoring, rationalization and capability can explain the influence to fraudulent financial reporting. Individually, effective monitoring and financial targets have a positive effect on fraudulent financial reporting, however external pressures have a negative effect on fraudulent financial reporting. While other variables (financial stability, personal financial needs, nature of the industry, rationalization and capability) do not affect fraudulent financial reporting.*

 *The conclusion of this research indicates that fraudulent financial reporting in the financial industry is more influenced by the pressure and opportunity elements of the diamond fraud model compared to rationalization and capability.*

*Key Words: Fraud, Fraudulent Financial Reporting, Fraud Diamond Model, Financial Industry, Earnings Management*