ABSTRACT

Financial statement fraud is the deliberate manipulation of financial information that harms report users while benefiting the perpetrators. This study aims to empirically prove the effect of financial stability, financial targets, change of directors, collusion, supervisory effectiveness, auditor turnover, total accruals and arrogance / ego on financial statement fraud as measured using 2 methods, namely Beneish M-Score and Dechow F-Score and and empirically prove which of the two fraud measurements is more relevant in detecting financial reporting fraud. Sampling in this study was conducted using purposive sampling technique. A total of 396 samples of financial statements of manufacturing companies for the period 2021 - 2023 were analyzed by logistic regression with SPSS version 26 software.

The results of this study indicate that financial stability as part of the stimulus element has a positive effect on financial statement fraud based on Beneish M-Score and Dechow F-Score. Financial targets negatively affect financial statement fraud based on Beneish M-Score but have no effect when using Dechow F-Score. In the capability element, change of directors has a positive effect on financial statement fraud based on Beneish M-Score, but shows a negative effect based on Dechow F-Score.

In addition, total accruals have a positive effect on financial statement fraud based on Beneish M-Score but have no effect when using Dechow F-Score. Other variables such as collusion, supervisory effectiveness (opportunity element), auditor turnover (rationalization element), and arrogance have no effect on financial statement fraud based on Beneish M-Score or Dechow F-Score. The Beneish M-Score model is considered more relevant for detecting potential financial statement fraud in this study compared to the Dechow F-Score model.

Keywords: Fraud Hexagon Model, Beneish M-Score, Dechow F-Score, Financial Statement Fraud