

## **ABSTRACT**

*This study used fraud triangle theory to explain financial fraudulent financing factor which is proxied by earnings management. Three conditions is applied for risks of fraud (pressure, opportunity and rationalization). This study proposes variable as a proxy to measure for three components of fraud triangle. Dividend payment and leverage as a pressure, audit fee and free cash flow as an opportunity and change of auditor as a rationalization.*

*The population in this study are all publicly listed non financial companies on the Indonesia Stock Exchange (IDX) 2012-2014. This study used 150 observations to do analysis. Regression analysis is used as a main analysis tool.*

*The results of this study don't find the effect of pressure that is proxied by dividend payment and leverage on earnings management as well as rationalization which is proxied by auditor change. However, this study find that opportunity which is proxied by audit fee could reduce earnings management, whereas free cash flow increase earnings management.*

*Keywords: earnings management, fraud triangle, leverage, dividend payment, audit fee, free cash flow and change of KAP.*