ABSTRACT

The research aims of this study was to examine the values of which could indicate the fraud in financial statements to detect fraudulent financial reporting on non-financial companies in Indonesia. The dependent variable of this study is fraudulent financial reporting which is proxied as dummy variable. The independent of this study are financial ratios. The ratios used in this study are leverage ratio, profitability ratio, asset composition ratio, liquidity ratio and capital turnover ratio.

Based on agency theory and fraud triangle theory, researchers conducted a study on a sample of 25 fraud companies and 95 non-fraud companies. Data of companies that commit fraud obtained from the Capital Market Sanctions List issued by Otoritas Jasa Keuangan Jakarta at period 2010-2016. Then the data is compared with the non-fraud companies by industry, company size and year.

This study design using logistic regression analysis. The statistics result of this research shows that the profitability ratio and capital turnover ratio have a significant indicate to the detect fraudulent financial reporting. While the leverage ratio,asset composition ratio , and liquidity ratio have no significant influence to the detect fraudulent financial reporting.

Keywords: fraudulent financial reporting, financial leverage, profitability, asset composition, liquidity, capital turnover