ABSTRACT

Fraudulent practice in financial report has resulted in the decrease of reliablity in financial report, causing losses for investors and creditors. Financial ratios can represent the company's performance and become a trigger factor for management to commit fraud. Therefore, this study aims to prove that financial leverage ratio, profitabilty ratio, asset composition ratio, liquidity ratio, capital turnover ratio, and receivable turnover ratio have an effect on fraudulent financial reporting.

The population used in this study are all registered companies in Indonesia Stock Exchange (BEI) throughout 2010-2016. Using purposive sampling method, the number of samples used are 52 companies. It consist of 26 fraud companies, as obtained from the database of sanctioned misstatement of financial reporting issued by OJK throughout 2010-2016 period and 26 non-fraud companies of the same size as determined under OJK regulation No. POJK.04 about Statement of Registration in the Public Offering and Capital Addition by Granting Right of Priority Effect by Companies with Small-Scale Assets or Companies with Medium-Scale Assets.

The results of this study indicate that financial leverage and asset composition ratio have positive effect on the possibility of having fraudulent practice in financial report. Meanwhile, the profitability, liquidity, capital turnover, and receivable turnover ratio have negative effect on the possibility of fraudulent financial report.

Keywords: financial leverage ratio, profitabilty ratio, asset composition ratio, liquidity ratio, capital turnover tatio, receivable turnover ratio, fraudulent financial reporting