

ABSTRACT

This research aims to obtain empirical evidence of the effectiveness of the fraud triangle in detecting fraudulent financial statement. The variables of the fraud triangle are used a proxy financial stability pressure with ACHANGE, financial targets that proxy by ROA, personal financial need that proxy by OSHIP, and effective monitoring by IND proxy. Detecting of fraudulent financial statement in this research uses a proxy earnings management.

The population of this research is the manufacturing companies listed on Indonesia Stock Exchange in 2010 and 2011. Total samples of this research are 72 manufacturing companies. Statistical data analysis method used is linear regression.

The result of this research indicate that the financial stability pressure (ACHANGE), financial targets (ROA), and external pressure (FREEEC) influence the fraudulent financial statement. Meanwhile, the personal financial need (OSHIP) and effective monitoring (IND) has no significant impact on fraudulent financial statement.

Keywords: fraudulent financial statement, financial stability pressure, financial targets, personal financial need, external pressure, effective monitoring, earnings management.