

ABSTRACT

This study aims to identify the factors that influence fraudulent financial reporting by testing fraud pentagon theory, including profitability, financial stability, ineffective monitoring, rationalization, change of directors, and frequent number of CEO's picture.

The purposive sampling is method done using of this research are state-owned companies in Indonesia and Malaysia which are listed on the Indonesia Stock Exchange (IDX) and the Bursa Malaysia during the 2018-2020 period. The sample selection is done using purposive sampling. Samples that met the criteria were 37 companies, so 111 analysis units were obtained. This study uses logistic regression analysis.

The results showed that profitability had a significant negative effect on fraudulent financial reporting. The rationalization and frequent number of CEO's picture have a significant positive effect on fraudulent financial reporting. While financial stability, ineffective monitoring, and change of directors have no effect on fraudulent financial reporting.

Suggestions for further research are expected to develop this research by using other variables outside of research such as institutional complexity, managerial policy, and the level of accounting policy change, and expanding the object of research for example in countries in ASEAN as well as increasing the time period of the research period.

Keywords: *Fraud Pentagon Theory; Fraudulent Financial Reporting; Stated- Owned Company.*