FINANCIAL STATEMENT FRAUD DETECTION USING PERSPECTIVE OF FRAUD TRIANGLE ADOPTED BY SAS NO. 99

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ARTICLE INFORMATION

ABSTRACT

Financial statements generally aim to provide information about the company's financial position, performance, and cash flows to the interested parties. The motivation to gain trust from the users, especially investors, shareholders and creditors, leads someone to commit fraud in the financial reporting. This study aims to detect and predict financial statement fraud based on the perspective of fraud triangle adopted by SAS No. 99. The dependent variable in this study is financial statement fraud which is proxied by earnings management, while the independent variables in this study are financial stability pressure, personal financial need, ineffective monitoring, effective monitoring, external pressure, and financial targets.Population of this research is manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014. Samples are selected using purposive sampling method and obtained 150 companies out of a total population of 162 companies. The results show that financial stability pressure and external pressurehave significant positive effect on financial statement fraud. Meanwhile, personal financial need, ineffective monitoring, effective monitoring, and financial targets do not have significant effect on financial statement fraud.

INTRODUCTION

Every company must have goals. One of the goals is to make profit in every period of production. The profit will attract the interest of investors to invest their capital and shares to the company. One of references forthe investors to invest their capital and shares is the company's financial statements.

The publication of financial statements generally aims to provide information about the company's financial position, performance and cash flow to the parties that are interested in the company. The financial statements makers, therefore, should provide accurate, relevant information which is free from material misstatements or fraud. In order to gain trust from the users of the financial statements, primarily investors, shareholders, and creditors, the company will make the financial statements accurately and relevantly and free from material misstatement. Unfortunately, such condition leads to the occurrence of fraud in financial reporting.

Financial statement fraud is the manipulation of nominal in the financial statement to make it look real by way of making misstatement in the financial statements intentionally with the aim to trick the users of the financial statement as if it were accurate, relevant, and accountable. Financial statement fraud is included as white-collar crime. White-collar crime is a crime committed by someone who has a high position in his work and or has a respectable social status.

Cressey concludes that fraud, in general, has three general factors: pressure, opportunity, and rationalization or better known as "fraud triangle", in which Romanus (2014: 280) calls it as "white-collar crime triangle". According to Cressey, fraud occurs because of three factors. Based on the three factors of the occurrence of fraud inferred by Cressey, American Institute of Certified Public Accountants (AICPA) issued Statement of Auditing Standard No. 99

(SAS 99) containing Consideration of Fraud in a Financial Statement Audit in October 2002 (Skousen et al., 2009).

Research on the detection of financial statement fraud using the perspective of white-collar crime triangle or fraud triangle has been done before, such as by Resti (2011), Listiana (2012), and Atia (2013). All three researchers conducted research by developing the independent variables which were then developed again in some proxies of the size of the white-collar crime triangle or fraud triangle (pressure, opportunity, and rationalization).

Based on the reason, background and phenomenon above, the researcher is interested in conducting research related to the detection of financial statement fraud using the perspective of white-collar crime triangle. This research is important to do because it can provide information to the management related to the factors that must be detected and predicted, that can lead to financial statement fraud, so that the financial reporting process is free from fraud which could hurt the company. Therefore, this research is entitled "Financial Statement Fraud Detection Using the Perspective of White-Collar Crime Triangle Adopted by SAS No. 99 ".

THEORETICAL FRAMEWORK AND HYPOTHESIS
Fraud

According to the Statement of Auditing Standard No. 99 (SAS No. 99), Fraud is defined as a deliberate action to produce a material misstatement in the financial statements as the audit subject.

Base on the definition by ACFE 2012 (Romanus, 2014: 258), white-collar crimes is divided into three groups, namely:

1. Corruption

Corruption isa white-collar crime scheme where an employee incorrectly uses his influence in business transactions, by violating his duty, to his superiors who directly or indirectly gets benefit.

2. Misuse of Assets

Misuse of assets is a white-collar crime scheme where an employee intentionally causes misstatements or omits material information in the financial statements.

3. Financial Statement Fraud

Financial statement fraud is a white-collar crime scheme where an employee intentionally causes misstatements or omits material information in the financial statements of an organization. Typically,financial statement fraud is done by overstating the assets, sales, and profits, and understating debts, costs, and losses.

4. Fraud Triangle Theory

The theory that becomes the basis of this study is white-collar crime triangle or fraud triangle which was first introduced by Cressey (1953) by interviewing 113 people who have committed embezzlement in companies, or called "trust violators". Fraud risk factors of the fraud standards existing in SAS No. 99 are based on the fraud theory initiated by D. R. Cressey in 1953 (Lao and Wang, 2009). Fraud

triangle is composed of three conditions that generally present when the fraud occurs, as shown below:
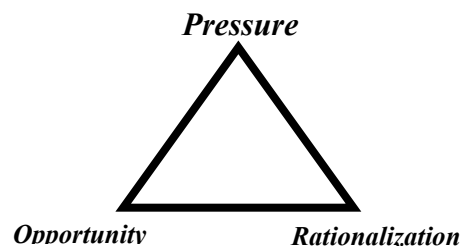
Source: Romanus, 2014:208

Figure 1.
White-Collar Crime (*Fraud Triangle*)

1. Pressure

Pressure can result in a person doing fraud. Acordung to SAS No. 9, there are four kinds of conditions that commonly occur in pressure which may result in fraud, namely: 1) financial stability, external pressure, personal financial need, and financial targets.

2. Opportunity

At least there are six factors of opportunities that enable a person to commit white-collar crimes. These factors are: 1) scarcity of supervision that prevents and detects the behavior of white-collar crime; 2) inability to decide the quality of work; 3) failure to discipline the perpetrators of white-collar crime; 4) scarcity of access to information; 5) ignorance, apathy, or incapability; 6) scarcity of examination (Romanus, 2014: 281).

Based on SAS No. 99, opportunity may occur in three categories, namely nature of industry, ineffective monitoring, and organizational structure.

3. Rationalization

In addition to pressure and opportunity, white-collar crime also occurs when there is a rationalization, or rationalization of an action. Almost all white-collar crimes involve an element of rationalization.

SAS No. 99 mentions that rationalization can be measured usingauditor replacement cycle, audit opinion obtained by the company, and the state of total accruals divided by total assets.

Earnings Management

Earnings management is a process of arranging and manipulatingthe nominal of profits intentionally to fit the condition desired by the management within the limits of generally acceptable accounting principles in the preparation of financial statements.

Earnings management is done through accounting policies or by controlling the accrual transaction. Accrual transaction is a transaction that does not affect the cash inflow or cash outflow. Accrual transaction consists of discretionary transactions and non-discretionarytransactions.

Financial Stability Pressure

Financial stability pressure is a condition that describesthat the company is in a stable condition. So, in such a stable condition will makethe value of the company increase in the eyesof investors, creditors, and users of the financial statements. Based on SAS No. 99, managers experience pressure and tend to commit financial statement fraud whenthe

financial stability or profitability is threatened by economic condition, industry condition, and the situation of operating entity (Skousen et al., 2009).

Personal Financial Need

Personal financial need is a situation where the finance of the company is also affected by the financial condition of the company's executives (Skousen et al., 2009). A manager has the right to claim on the income and assets of the company which means that with the ownership of the stocks, the executives or internal people can control the financial reporting. The structure of stocks ownership will be able to influence the level of fraud.

Ineffective Monitoring

Ineffective monitoring is a condition where the company does not have a department or an effective monitoring unit to control and supervise all operational activities in the company. The absence of the department andgood monitoring unit may cause fraud

Effective Monitoring

Effective monitoring is a condition where the company has a department or an effective monitoring unit to control and supervise all operational activities within the company. The presence of department or good monitoring unitcan prevent or minimize the occurrence of fraud.

External Pressure

External pressure is an excessive pressure on management to meet the requirements

or wishes of third parties. To cope with the pressures, the company requires additional debt or external sources of funding in order to remain competitive, including research funding and expenditures for improvement and development or the capital of external financing needs associated with cash generated from operating activities and investment, which in this study is proxied by the ratio of free cash flow (Skousen et al., 2009).

Financial Targets

Financial target is a condition where the company setsthe targets to the profits that must be obtained from the businesses that have been incurred to generate such profits. To assess the level of corporate profits from the businesses that have been incurred by the company, among others, is usingReturn on Assets (ROA).

The Effect of Financial Stability Pressureon FinancialStatement Fraud (Earning Management)

A companywill surely attempt to display information about the increase in the company's prospects well, one of which is by manipulating the information relating to the assets of the company. Therefore, the financial stability pressure is proxied by the ratio of change in total assets (ACHANGE). The higher the total assets of the company, the greater the property owned by the company (Atia, 2013).

The research conducted by Atia(2013) shows that the financial stability pressure which is proxied by the change in total assets (ACHANGE), significantly affects the financial

statements fraud. From the research conducted by Atia(2013), it can be concluded that the greater the percentage of the change in total assets (ACHANGE) of a company, the higher the probability ofthe financial statementfraud. So, based on the description above, the formulation of the hypothesis is as follows:

H1: Financial stability pressure which is proxied by the ratio of the change in total assets (ACHANGE) has positive effect on financial statement fraud.

The Effect of Personal Financial Need on Financial Statement Fraud (Earning Management)

Personal financial need is a situation where the company's finance is also affected by the financial condition of the company's executives (Skousen et al., 2009). The stocks ownership by the internal peopleof the company makesthe manager has the right to claim on the income and assets of the company.

Research conducted by Resti (2011) showsthat personal financial need which is proxied by the ratio of stock ownership by insiders (OSHIP) significantly affects the financial statement fraud. The ratio of stock ownership by insiders is directly aligned with financial statement fraud, which means the higher the ratio of stock ownership by insiders, the higher the percentage of the financial statement fraud. Based on the description above, the formulation of the hypothesis is as follows:

H2: Personal financial need which is proxied by the ratio of stock ownership by insiders (OSHIP) has positive effect on financial statement fraud.

The Effect of Ineffective Monitoring on Financial Statement Fraud (Earning Management)

Ineffective monitoring is a condition where the company does not have a department or an effective monitoring unit to control and supervise all operational activities within the company. So, it can be concluded that the lack or absence of effective monitoring unit will cause financial statement fraud.

The results of research conducted bySkousen et al. (2009), Resti (2011), Listiana (2012) do not show any influence of ineffective monitoring on financial statement fraud. Supposedly, if there are more monitoring units within the company such as independent board, it will reduce financial statement fraud. Based on the description above, the formulation of the hypothesis is as follows:

H3 : Ineffective monitoring which is proxied by the proportion of independent board (BDOUT) has negative effect on the financial statement fraud.

The Effect of Effective Monitoring on Financial Statement Fraud (Earning Management)

Good monitoring unit can be done by a reliable independent audit committeeso as to improve the effectiveness of supervision over the financial reporting process and internal control systems within the company. The existence of independent audit committee in a company or organization can prevent the occurrence of fraud.

Result of research conducted by Atia (2013) shows that effective monitoring which

is proxied by the structure of the independent audit committee members (IND) has no effect on financial statement fraud.It can be concluded that the presence of independent audit committee within a company or organization can reduce the level of financial statement fraud. Based on the description above, the formulation of the hypothesis is as follows:

H4 : Effective monitoring which is proxied by the structure of independent audit board members (IND) has negative effect on financial statement fraud.

The effect of external pressure on financial statement fraud (Earning Management)

External pressure is an excessive pressure on management to meet the requirements or wishes of the third parties. To cope with the pressures, the company requires additional debt or external financial resources. The need for external funding is closely related to cash generated from operating activities and investment of the company. This can lead management to manipulate financial statements.

Results of research conducted by Atia (2013) and Skousen et al. (2009) showed that external pressure which is proxied by the ratio of free cash flow (FREEC) has significant effect on financial statement fraud. It can be concluded that the higher the ratio of free cash flow, the lower the probability of the company to conduct financial statement fraud. Based on the description above, the formulation of the hypothesis is as follows:

H5 :External pressure which is proxied the ratio of free cash flow (FREEC) has negative effect on financial statement fraud.

The Effect of Financial Target on Financial Statement (Earning Management)

Financial target is a condition where the company setsthe targets to the profits that must be obtained from the businesses that have been incurred to earn the profit. Return on assets is a measurement of operating performance that is widely used to indicate how efficiently the assets have been working (Skousen et al., 2009).Return on assets is used as a proxy for the variable of financialtargets.

Research conducted by Atia (2013) and Listiana (2012) shows that the financial targetwhich isproxied by profitability ratio (ROA) has significant effect on financial statement fraud. It can be concluded that the higher the ROA targeted by the company, the more vulnerable the company to make earnings management which is one form of financial statement fraud. Based on the description above, the formulation of the hypothesis is as follows:

H5 : Financial target which isproxied by profitability ratio (ROA) has positive effect on financial statement fraud.

The framework underlying this study can be described as follows:
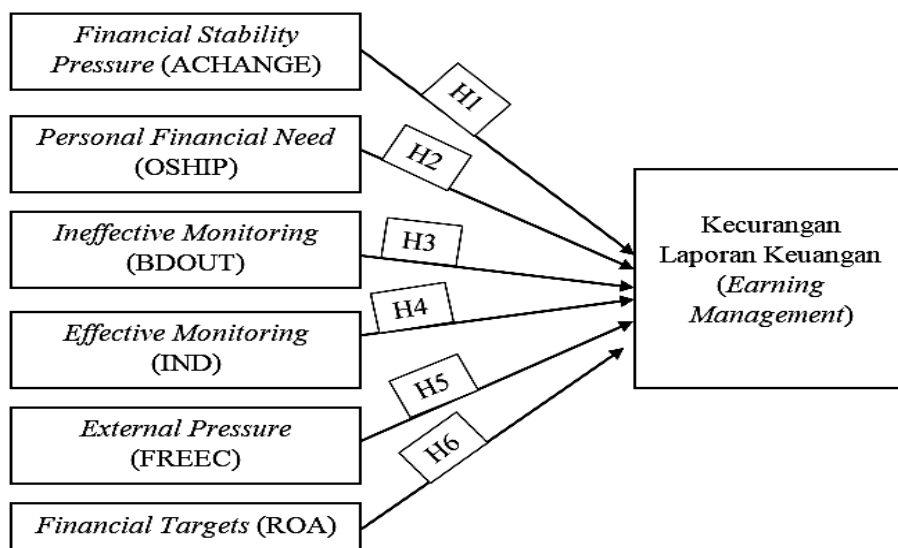
Source: Processed
Figure 2
Framework

Sample Classification

The population used in this study is all manufacturing companies listed in Indonesia Stock Exchange (IDX) during the period 2012 - 2014. Manufacturing companies are chosen as

the population in this study becausethey cover the entire activities of the company including purchase, sale, cycle of account payable and receivable, processing raw materials into goods which will be sold, etc. These all are done so that

the company gets the desired profit and requires considerable expense on the company's assets. These are the factors that make the company perform earning management by means ofaccrual earnings management (discretionary accruals).

The sampling in this study is conducted using purposive sampling technique in order to obtain representative samples in accordance with the criteria specified as follows: (1) the manufacturing companies listed in the Indonesia Stock Exchange respectively during the period 2012-2014, (2) the manufacturing companies that publish annual financial statements respectively during the period 2012-2014 expressed in rupiah (IDR), (3) the manufacturing companies that have the overall data relating to the variables in the study.

Based on the results of purposive sampling, of the 162 manufacturing companies, 50 companiesare selected as the research sample according to the sample selection criteria.

Research Data

The data used in this research is secondary data. The secondary data used in this research is the company's annual financial statement data. This study takes the sample of all manufacturing companies listed in Indonesia Stock Exchange (IDX)) during the period 2012 - 2014 and have been categorized in accordance with the sample selection criteria. The data collection technique used isdocumentation technique where the method of data collection is conducted by recording and studying the documents or files that are relevant to the issues examined.

Research Variables

The dependent variable in this study is financial statement fraud, especially in earnings management, which is measured using Discretionary Accruals (DA). Meanwhile, the independent variables in this study consist of *financial stability pressure*which is proxied by the ratio of the change in total assets (ACHANGE), *personal financial need*which is proxied by the ratio of stock ownership by insiders (OSHIP), *ineffective monitoring*which is proxied by the proportion of independent board (BDOUT), *effective monitoring*which is proxied by the structure of independent audit committee members (IND), *external pressure*which is proxied by the ratio of free cash flow (FREEC), and*financial target* which isproxied by profitability ratio (ROA).

Operational Definition of Variables Earning Management

Earnings management (DA) can be measured by discretionary accrual. DA is calculated using Modified Jones Model.

ΔRevt = Changes of revenue of company i in the period t.

To measure discretionary accruals, the first thing to do is to calculatethe total accruals for each company i in year t:

$$TAC = N_{it} - CFO_{it} \quad .... \quad (1)$$

The value of N$_{it}$ can be seen in the company's profit/loss statement, while the value of CFO$_{it}$ can be seen in the Company›s cash flows statement.

Then, the value of total accruals (TA) which

is estimated by OLS regression equation is as follows:

$$TA_{it} / A_{it-1} = \beta1 (1 / A_{it-1}) + \beta2 (\Delta Revt / A_{it-1}) + \beta3 (PPE_t / A_{it-1}) + e \ldots\ldots\ldots (2)$$

The value of A_{it} and $\Delta Rect$ can be seen in the company's financial position statement, and the value of $\Delta Revt$ can be seen in the company's profit/loss statement.

By using coefficient of regression above, ($\beta1$, $\beta2$, dan $\beta3$), the value of *non-discretionary accrual* (*NDA*) can be calculated using the following formula:

$$NDA_{it} = \beta1 (1 / A_{it-1}) + \beta2 (\Delta Revt / A_{it-1} - \Delta Rect / A_{it-1}) + \beta3 (PPE_t / A_{it-1}) \ldots (3)$$

The value of PPE_t can be seen in the company's financial position statement.

Then *discretionary accrual* (DA) can be calculated as follows:

$$DA_{it} = TA_{it} / A_{it-1} - NDA_{it} \ldots\ldots\ldots\ldots (4)$$

Where:

- DA_{it} = *Discretionary Accruals* of company i in the period t;
- NDA_{it} = *Non Discretionary Accrual* of company i in the period t;
- TA_{it} = Total Accruals of company i in the period t;
- N_{it} = Net profit of company i in the period t;
- CFO_{it} = Cash flow from operating activities of company i in the period t;
- A_{it-1} = Total assets of company i in the period t;
- PPE_t = Fixed assets of company i in the period t;
- $\Delta Rect$ = Changes in accounts receivable of company i in the period t;
- e = Error.

Financial Stability Pressure

Financial stability pressure which is proxied by the ratio of the change in total assets (ACHANGE) for two years is calculated using the following formula:

$$ACHANGE = \frac{\text{Total Assets}_t - \text{Total Assets}_{t-1}}{\text{Total Assets}_t}$$

Personal Financial Need

Personal financial need which is proxied by the ratio of stock ownership by insiders (OSHIP) can be measured using the following formula:

$$OSHIP \quad \frac{\text{Total stocks owned by insiders}}{\text{Total stocks outstanding}}$$

Ineffective Monitoring

Ineffective monitoring which is proxied by the proportion of independent board members (BDOUT) can be measured using the following formula:

$$BDOUT \quad \frac{\text{The number of independent board members}}{\text{Total number of board members}}$$

Effective Monitoring

Effective monitoring which is proxied by the structure of independent audit committee members (IND) can be measured using the following formula:

$$IND = \text{the size of audit committee}$$

External Pressure

External pressure which is proxied by the ratio of free cash flows (FREECH) can be calculated using the following formula:

$$FREECH = \frac{(\text{total net cash generated from operating activities} - \text{cash devident} - \text{capital expenditure})}{\text{Total assets}}$$

Financial Targets

Financial targetwhich isproxied by profitability ratio (ROA) can be calculated using the following formula:

$$ROA \frac{\text{Profit after tax}}{\text{Total assets}}$$

RESULTS OF RESEARCH AND DISCUSSION

Results of Descriptive Research

Descriptive statistical analysis is used to give description explicitly about each variable. This research provides a description of the minimum value, maximum value, mean value and standard deviation value of each independent variable and dependent variable which is measured using Discretionary Accruals (DA).Here is the descriptive statistical analysis of the research data:

Table 1
Results of Descriptive Statistic Test

	N	Minimum	Maximum	Mean	Std. Deviation
DA	131	-0.121416466468718	0.234629058790186	0.037769393571078	0.059866043526982
ACHANGE	131	-0.138428810155602	0.999920287466431	0.134513368381127	0.116781691113569
OSHIP	131	0.000000000000261	0.475216038701298	0.023266179808678	0.083033458770837
BDOUT	131	0.250000000000000	0.750000000000000	0.388693092319046	0.084432333219913
IND	131	3.000000000000000	5.000000000000000	3.167938931297709	0.395215068144017
FREEC	131	-0.267344947799264	0.172419222550036	-0.009542008978511	0.081828769624895
ROA	131	-0.002858515218049	3.119758718784687	0.145349304937571	0.277779702292625
Valid N (listwise)	131				

Based on table 1, it is known thatthe earnings management in manufacturing companies listed in Indonesia Stock Exchange in the period 2012 - 2014 has the mean value of 0.037769393571078. The minimum value of earnings management is -0.1214164664687 and the maximumvalue which is 0.2346290587902. The earnings management has a standard deviation value of .0598660435270 which is greater than the main value of 0.0377693935711. The result shows poor result because the standard deviation reflecting the deviation of the data has a value greater than the mean value, which means that this data is less good to know the value of earnings management.

The ratio of change in total assets in the manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014 has the mean value of 0.134513368381127. The minimum value of the ratio of change in total assets is 0.138428810155602 and the maximum value is 0.999920287466431. The ratio of change in total asset has a standard deviation value of

0.116781691113569 which is smaller than the mean value of 0.134513368381127. The result isa good result because the standard deviation reflecting the deviation of the data has a value smaller than the mean value, which means that the data is good enough to know the value of the ratio of the change in total assets which is measured by subtracting the total assets of the current year with total assets of the previous year then divided by the total assets of the current year.

The stock ownership by insiders in manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014 has the mean value of 0.023266179808678. The minimum value of stock ownership by insiders is 0.000000000000261 and maximum value is 0.4752160387013. The value of the ratioof change in total assets has standard deviation value of 0.083033458770837 which is greater than the mean value of 0.023266179808678. The result is the poor result because the standard deviation reflecting the deviation of the data has a value greater than the mean value. This means that the data is less good to know the value of stock ownership by insiders whichis measured by the indicators of the percentage of the number of stocks owned by insiders of the entire company's ordinary capital stocks outstanding.

The proportion of independent board in the manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014 has the mean value of 0.388693092319046. The minimum value of the proportion of independent board which is 0.250000000000000 and the maximum value is 0.750000000000. The proportion of independent board has a standard deviation value of 0.084432333219913 which is smaller than the mean value of 0.388693092319046. The results are good results because the standard deviation reflecting the deviation of the data has a value smaller thanthe mean value, which means that the data are good enough to know the value of the proportion of independent board which is measured using indicators of the percentage of independent board members from outside the company of all company's board members.

The structure of independent audit committees in the manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014 has the meanvalue of 3.167938931297709. The minimum value of the structure of independent audit committee members is 3.000000000000000 and the maximum value is 5.000000000000000. The structure of independent audit committee members has a standard deviation value of 0.395215068144017 which is smaller than the mean value of 3.167938931297709. The results are good results because the standard deviation reflecting the deviation of the data has a value smaller than the mean value, which means that the data are good enough to know the value of the structure of independent audit committee members as measured by counting the number of independent audit committees in company.

The ratio of free cash flow in the manufacturing companies listed in Indonesia Stock Exchange period 2012 to 2014 has the mean value of -0.009542008978511. The

minimum value of ratio of free cash flow is -0.267344947799264, and maximum value is0.172419222550036. The ratio of free cash flow has a standard deviation value of 0.081828769624895 which is greater than the mean value of -0.009542008978511. The results are the poor results because the standard deviation reflecting the deviation of the data has a value greater thanthe mean value, which means that the data is less good to know the value of the ratio of free cash flow as measured by the indicators of total net cash generated from operating activities minus cash dividends and capital expenditure then divided by the total assets of the current year.

The profitability ratio in the manufacturing companies listed in Indonesia Stock Exchange period 2012 - 2014 has the mean value of 0.145349304937571. The minimum valueof profitability ratio is -0.002858515218049, and the maximum value is 3.119758718784687. Profitability ratio has a standard deviation valueof 0.277815487539336 which is greater than the mean value of 0.145349304937571. The results are poor results because the standard deviation reflecting the deviation of the data has a value greater than the mean value, which means that the data is less good to know the value of the profitability ratio as measured by the indicators of profit after tax year divided by total assets.The company that has a profitability ratio below the average value indicates that the company is likely to commit financial statement fraud through earnings management.

Data Normality Test

Based on table 2, after an outlier, it is known that the significance value of Kolmogorov-Smirnov test is 0.093> 0.05. It can be inferred that the regression model residuals have normal distribution. Previously the data had significance valueof Kolmogorov-Smirnov test of 0,000 <0,05, which means that the regression model residuals do not have normal distribution due to the outliers. Based on outlier detection by means of converting the data value into a standardized score, or so-called z-score, is found 19 observations as outliers. Therefore,the observation data has to be removed and shall not participate in the process of further analysis.

Multicollinearity Test

From Table 3 it can be seen that the value of VIF for all the independent variables are less than 10, so it can be concluded that there is no multicollinearity among the independent variables in the regression model, because the value of VIF < 10 and tolerance value > 0.1, which means that there is nomulticollinarity.

Table3
Results of Multicollinearity Test (*Variance Inflation Factor*)
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	.003	.043		.061	.952		
ACHANGE	.130	.038	.254	3.386	.001	.997	1.003
OSHIP	.092	.055	.127	1.662	.099	.954	1.049
BDOUT	.008	.054	.012	.153	.878	.970	1.031
IND	.003	.011	.023	.300	.764	.976	1.025
FREEC	-.336	.057	-.459	-5.882	.000	.920	1.087
ROA	-.013	.017	-.058	-.751	.454	.925	1.081

a. Dependent Variable: DA
Source: Output SPSS, processed data

Run Test

In Table 4, it can be seen that the test value is -0.00242 with probability value of 0.430> 0.05., which means that there is residual random or there is no autocorrelation among residual values.

Heteroscedasticity Test

Based on Table 5, it can be seen that the variables of OSHIP, BDOUT, IND, and ROA do notexperience the symptoms of heteroscedasticity because they have a significance value above 0.05.

Table 4
Results of Autocorrelation Test (Run Test)

Runs Test

	Unstandardized Residual
Test Value[a]	-.00242
Cases < Test Value	65
Cases >= Test Value	66
Total Cases	131
Number of Runs	62
Z	-.789
Asymp. Sig. (2-tailed)	.430

a. Median
Source: Output SPSS, processed data

Table 5
Results of Heteroscedasticity Test

Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	.034	.026		1.287	.201
ACHANGE	.052	.023	.192	2.238	.027
OSHIP	-.022	.033	-.057	-.651	.516
BDOUT	-.009	.033	-.024	-.277	.782
IND	.000	.007	-.001	-.015	.988
FREEC	-.096	.035	-.247	-2.762	.007
ROA	.007	.010	.059	.668	.505

a. Dependent Variable: AbsUt
Source: SPSS, processed data

HYPOTHESIS TEST
Coefficient of Determination

In table 6 it can be seen that the value of Adjusted R Square is 0.272 or 27.2%. This shows that 27.2% of the variable of financial statement fraud (earnings management) can be explained by the variables of financial stability pressure (ratio of change in total assets), personal financial need (stocks ownership by insiders), ineffective monitoring (the proportion

of independent board), effective monitoring (structure of independent audit committee), external pressure (the ratio of free cash flow), and financial targets (profitability ratio), while the rests are explained by other variables.

Table 6
Results of Hypothesis Test

Variable	Parameter Coefficient	Standard Error	t Table	Sig.
Konstanta	0.003	0.043	0.061	0.952
Financial Stability Pressure (ACHANGE)	0.130	0.038	3.386	0.001
Personal Financial Need (OSHIP)	0.092	0.055	1.662	0.099
Ineffective Monitoring (BDOUT)	0.008	0.054	0.153	0.878
Effective Monitoring (IND)	0.003	0.011	0.300	0.764
External Presure (FREEC)	-0.336	0.057	-5.882	0.000
Financial Targets (ROA)	-0.013	0.017	-0.751	0.454
R	0.553			
Adjusted R2	0.272			
F Tabel	9.097			
Sig. F	0.000			

Source: SPSS, processed data

Simultaneous Significance Test (F statistic test)

Based on table 6, it can be seen that the significant value is 0.000 less than 0.05, which means that H_0 is rejected and H_1 is accepted. This shows that the regression model fits to the data of the study.

Individual Parameter Significance Test (t statistic Test)

Based on table 6, it is obtained regression equation as follows:

DA = 0,003 + 0,130ACHANGE + 0,092OSHIP + 0,008BDOUT + 0,003IND – 0,336FREEC – 0,013ROA + e

The equation can be explained as follows:

a. Constant value (β0) of 0.003 shows that if the value of independent variable is 0 (zero), the value of financial statement fraud (earnings management) as the dependent variable is 0.3%.

b. Constant value (β1) *for financial stability pressure* which is proxied by *ratio of change in total assets* (ACHANGE) is 0,130. This shows that if the ratio of change in total assets increases by one unit, the value of earnings management will increase by 13%.

c. Constant value (β2) for *personal financial need* which is proxied by *stocks ownership by insiders* (OSHIP) is 0.092. This shows that if the ratio of stocks ownership by insiders

increases by one unit, the value of earnings management will increase by 9.2%.

d. Constant value (β3) for *ineffective monitoring* which is proxied by *proportion of independent board* is 0.008. This shows that if the proportion of independent board increases by one unit, the value of earnings management will increase 0.8%.

e. Constant value (β4) for *effective monitoring* which is proxied by *structure of independent audit committee* is 0.003. This shows that if the structure of independent audit committee increases by on unit, the value of earnings management will increase by 0.3%.

f. Constant value (β5) for *external pressure* which is proxied by ratio of *free cash flow* (FREEC) is -0,336. This shows that if the ratio of free cash flow increases by one unit, the value of earnings management will decrease by 33.6%.

g. Constant value (β6) for *financial target* which is proxied by *probability ratio* (ROA) is -0.013. This shows that if the probability ratio increases by one unit, the value of earnings management will decrease by 1.3%.

Based on the results of individual parameters significant test (t statistic test) indicate that the variable of financial stability pressure has a significant value of 0.001 <0.05 and unstandardized coefficient β value of 0.130, which means that the variable of financial stability pressure has significant positive effect on the variable of financial statement fraud as the dependent variable. The variable of external pressure has a significant value of 0.000 and unstandardized coefficients β value of -0.336, which means that the variable of external pressure has significant negative effect on the variable of financial statement fraud as the dependent variable. These results support the first hypothesis which states that the financial stability pressure which is proxied by the ratio of change in total assets (ACHANGE) has positive effect on financial statement fraud. This results also support the fifth hypothesis which states that the external pressure which is proxied by the ratio of free cash flow (FREEC) has negative effect on financial statement fraud.

The results of t statistic test show that the variable of personal financial need has a significant value of 0.099, the variable of ineffective monitoring has a significant value of 0.878, the variable of effective monitoring has a significant value of 0.764, and the variable of financial targets has a significant value of 0.454, which means that those variables do not have significant effect on the variable of financial statement fraud as the dependent variable, because the significant value of the four variables> 0.05. These results do not support the third hypothesis which states that the ineffective monitoring which is proxied by the proportion of independent board (BDOUT) has negative effect on the financial statement fraud. These results do not the fourth hypothesis which states that the effective monitoring which is proxied by the structure of independent audit committee members (IND) has negative effect on the financial statement fraud. These results do not support the second hypothesis which

states that the personal financial need which is proxied by the ratio of stocks ownership by insiders (OSHIP) has positive effect on the financial statement fraud. These results do not support hypotheses sixth which states that the financial target which is proxied by the profitability ratio (ROA) has positive effect on the financial statement fraud.

CONCLUSION, LIMITATION, AND SUGGESTION

Conclusion

1. The results of this study indicate that the financial stability pressure whih is proxied by the ratio of change in total assets has significant positive effect on the financial statement fraud which is proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data explaining that the financial stability pressure which is proxied by the ratio of change in total assets each year from 2012 to 2014 experienced fluctuation (increase and decrease) or it can be said that value per year is not stable. This means that the higher the ratio of change in total assets, the greater the possibility of financial statement fraud.

2. The results of this study indicate that the personal financial need which is proxied by the stocks ownership by insiders has no significant effect on the financial statement fraud which proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data explaining that

stocks ownership by the insiders of the manufacturing companies largely did not experience any addition or subtraction from 2012 to 2014 and has no significant effect. This is in line with the previous study.

3. The results of this study indicate that the ineffective monitoring which is proxied by the proportion of independent board has no significant effect on financial statement fraud which is proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data explaining that the proportion of independent board from 2012 to 2014 largely does not experience any changes and has no significant effect. This is in line with the previous studies

4. The results of this study indicate that the effective monitoring which is proxied by the structure of independent audit committee members has no significant effect on financial statement fraud which is proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data explaining that the structure of independent audit committee members in the study sample from 2012 to 2014 largely does not experience any changes and has no significant effect. This is in line with the previous studies.

5. The results of this study indicate that the external pressure which is proxied by the ratio of free cash flow has significant negative effect on financial statement fraud

which proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data explaining that the ratio of free cash flow in the study sample from 2012 to 2014 largely has a negative or low value, so this can cause the management to commit financial statement fraud.

6. The results of this study indicate that financial targetwhich is proxied by the probability ratio (ROA) has no significant effect on the financial statementfraud which is proxied by earnings management (discretionary accruals). The results of this study are supported by descriptive data stating that the profitability ratios of the companies in the study sample have unstable value from 2012 to 2014. In addition, the degree of deviation of data from the study sample is high (heterogeneous).

Limitation and Suggestion

This study has some limitations that need to be considered for further research, among others are: (1) the study period used to predict earnings management is only three years, so that the samples taken are still relatively small, (2) the independent variables of this study are still lacking in predicting financial statements fraud which isproxied by earnings management (discretionaryaccruals) in a company, so it still requires additional independent variables in future studies, (3) in this study occurredheteroscedasticity on two independent variables, namely the variable of financial stability pressure and the variable of external

pressure, so it requires additional sample period, and (4) in this study, the samples are only manufacturing companies period 2012 -2014 which issue consecutive dividend.

Based on the results and limitations of this study, the suggestions and recommendations which can be provided to further research are: (1) the period of the study sample is only from 2012 to 2014, so that the samples taken are still relatively small. For further research is recommended and expected to add the period of the study sample so as to give a greater number of samples and is sufficient to predict the occurrence of financial statement fraud which isproxied by earnings management (discretionaryaccruals) in a company and can avoid from the occurrence of heteroscedasticity on independent variables, (2) it is recommended that further research add more independent variables including elements of white-collar crime triangle, that is, rationalization, (3) it is suggested that further research include samples of both manufacturing companies that issue consecutively and those that do no.

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