FACTORS THAT INFLUENCE FINANCIAL STATEMENT FRAUD USING THE FRAUD DIAMOND MODEL

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Abstrak
Tujuan Utama – Studi ini bertujuan untuk memperoleh bukti empiris tentang deteksi kecurangan laporan keuangan dengan menggunakan teori fraud diamond sebagai perspektif yang dikembangkan oleh Wolfe & Hermanson (2004).
Metode – Sampel yang digunakan dalam penelitian ini adalah 534 perusahaan manufaktur yang terdaftar pada Bursa Efek Indonesia (BEI) di periode tahun 2013 sampai tahun 2017, kemudian penelitian ini menggunakan data sekunder yaitu laporan tahunan dari setiap perusahaan, selanjutnya pengujian hipotesis pada penelitian ini dilakukan menggunakan regresi logistic dengan mengoperasikan perangkat lunak SPSS 20.
Temuan Utama – Hasil dari penelitian ini menunjukkan bahwa variable tekanan (yang diproksikan oleh rasio leverage) dapat digunakan untuk memprediksi kemungkinan terjadinya kecurangan laporan keuangan. Kesempatan (yang diproksikan oleh rasio komposisi asset) dapat digunakan untuk memprediksi kemungkinan terjadinya kecurangan laporan keuangan. Lalu, rasionalisasi (yang diproksikan oleh kualitas audit) dapat digunakan untuk memprediksi kemungkinan kecurangan laporan keuangan.
Implikasi Teori dan Praktik – Implikasi dari penelitian ini adalah teori fraud diamond dapat digunakan sebagai landasan untuk penelitian terkait kecurangan laporan keuangan. Lalu, implikasi dari penelitian ini secara praktik adalah bahwa para auditor eksternal dapat menggunakan teori ini sebagai landasan untuk mempertanyakan latar belakang para pelaku kecurangan.
Keterbaruan – Penelitian ini mengajukan proksi latar belakang dewan direksi sebagai keterbaruan dikarenakan proksi tersebut tidak sering digunakan namun dapat berkaitan langsung dengan kapabilitas terkait kecurangan laporan keuangan.
Kata Kunci: Teori Fraud Diamond, Kecurangan Laporan Keuangan, Akuntansi Forensik

Abstract
Main Purpose *- This study aims to obtain empirical evidence about detection of the financial statement fraud accordance with the fraud diamond theory perspective that developed by Wolfe & Hermanson (2004).*
Method *- The samples that used in this study were 534 manufacturing companies that were listed in Indonesia Stock Exchange (IDX) in the period of 2013 until 2017, secondary data were used in the form of annual reports of every company, then hypothesis testing in this study was conducted by using logistic regression analyses with SPSS 20 software.*
Main Findings *- The results of this study showed that variables such as pressure (proxied by leverage ratio) could be used to predict the financial statement fraud. Opportunity (proxied by asset composition ratio) could be used to predict the financial statement fraud. Then, rationalization (proxied by audit quality) could be used to predict the financial statement fraud.*
Theory and Practical Implications *- The impact of this research is that the fraud diamond theory can be used as a basis for research on fraudulent financial statements. Then, the impact of this research in practice is that external auditors in questioning the background of fraudsters can also use this theory as a basis.*
Novelty *- This research offers a proxy for background research on the board of directors as a novelty because it is still not used very often in research related to fraudulent financial statements.*
Keywords: The Fraud Diamond Theory, Financial Statement Fraud, Forensic Accounting

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INTRODUCTION

According to Webster's New World Dictionary, fraud is a generic term, and embraces all the multifarious means which human ingenuity can devise, which are resorted to by one individual, to get an advantage over another by false representations (Albrecht et al., 2012). Capability is needed to better complement the risk factors for fraud that Cressey had previously developed in 1953 and is called the fraud triangle model. In the fraud triangle model, it is explained that there are three conditions that always arise when fraud occurs, namely pressure, opportunity, and rationalization (Wolfe & Hermanson, 2004). Abdullahi & Mansor (2015) states that the fraud diamond can be used more to explain the factors of fraud than the fraud triangle. This is because fraudsters who have the capability will be able to hide their fraud. According to the theory of the fraud diamond explained by Wolfe & Hermanson (2004), adequate skills are needed so that they can take advantage of "open the doorway" or an open door in realizing fraud. To be able to commit financial statement fraud, adequate skills are needed because financial statement fraud is something that is complex in nature. Directors in a company must have adequate understanding related to accounting and financial knowledge to be able to commit fraudulent financial statements.

There are three major types of fraud: corruption, asset misappropriation, and financial statement fraud. Financial statement fraud is the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users (Association of Certified Fraud Examines, 2017). Report states that financial statement fraud is the costliest category of fraud (Association of Certified Fraud Examines, 2020).

Pressure is a need experienced by fraudsters that encourages fraudulent behavior. Then, opportunity is a weakness that is known by fraudsters so that it can be used to commit fraud. Then rationalization is an attempt to justify the fraudster for the fraud he committed. There is a need for adequate capability from a person or a group to be able to realize the opportunity as an open doorway. Things that can describe capability include position, intelligence, self-confidence/ego, skill, habit of lying, and endurance in the face of tension (Wolfe & Hermanson, 2004).

Research related to financial statement fraud is important to do, if investors perceive fraud risk assessment as important research has identified red flags, they could use to assess the likelihood a firm is fraudulently reporting (Brazel et al., 2015). In order to maintain trust, management as the party that manages the company's operations should be able to provide the best performance accompanied by the disclosure of correct information regarding the company's financial statements. However, management in this case can also reveal information that is not actually related to the condition of the company. Which means that there is a risk of fraud from the financial reports produced (Santoso & Surenggono, 2018).

Several studies related to financial statement fraud have also been conducted in Indonesia using the fraud diamond perspective such as Supri et al., (2018), Indarto & Ghozali, (2016), Mardiani et al., (2017), Pamungkas, et al (2018), (Syahria, 2019) and Santoso & Surenggono (2018). However, there are still inconsistent results found from several studies that have been mentioned previously. Several previous studies used different measurements, research methods, & data. Also provide different suggestions due to the limitations of each research are also different. This study uses the Beneish M-Score (Beneish, 1999) to measure the financial statement fraud variable. Beneish M-Score is a measurement that gives the result of

whether a company is indicated to commit fraudulent financial statements or not to commit fraudulent financial statements. The Beneish M-Score was chosen because this model focuses on detecting earnings rather than potential bankruptcy. It uses multiple variables to determine the category of fraud or not. These many variables are expected to provide a better level of accuracy (Repousis, 2016).

This study proposes four hypotheses, namely: (1) pressure influences financial statement fraud; (2) opportunity influences financial statement fraud; (3) rationalization influences financial statement fraud; (4) capability influences financial statement fraud. The measurements used in this study will be mentioned in the next section. This research is expected to be useful in the development of accounting knowledge, especially in the field of forensic accounting regarding the fraud diamond theory, fraudulent financial statements, and forensic accounting. Then, it is also useful in terms of knowing what fraud risk factors in the perspective of the fraud diamond theory.

METHOD

In this study, a causality research design was used, which is defined as research that will examine the cause-and-effect relationships of several independent variables on the dependent variable. The quantitative approach in this study was used because the SPSS 20 test tool was used in data analysis techniques. Empirical testing is done after the hypothesis is formulated first. Then the results of data from empirical research will be compared with the hypotheses that have been formulated previously, to determine whether the hypothesis is accepted or rejected. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period 2013 to 2017. The sample selection refers to sampling with replacement. Sampling with replacement is that one sample unit has more than one chance to be used as a research sample.

The sample was selected based on specific criteria (purposive sampling), including: (1) Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2013-2017 period; (2) Data regarding the variables used in the research can be obtained or available in publications for 2013-2017.

For companies that are the population in this study in each year, namely: 138 companies in 2013; 143 companies in 2014; 143 companies in 2015; 144 companies in 2016; and 153 companies in 2017. From the entire population, samples were obtained, namely 89 companies in 2013, 99 companies in 2014, 110 companies in 2015, 114 companies in 2016, and 122 companies in 2017. companies to be the research sample because they do not meet the purposive sampling criteria.

The dependent variable in this study is fraudulent financial reporting. In this study, financial statement fraud was measured using the Beneish M-Score. If the M-Score (the score resulting from the Beneish M-Score) is lower than -2.22, then it can be said that a company belongs to the type of company that is indicated as a non-manipulator. Conversely, if the M-Score is higher than -2.22, it can be said that a company belongs to the type of company indicated as a manipulator.

The independent variable of the research is fraud diamond with four fraud risk factors including pressure, opportunity, rationalization, and capability. In this study, pressure is measured using the leverage ratio, opportunity is measured using the asset composition ratio, rationalization is measured using audit quality, and capability is measured using the proportion of accounting and financial education background on the board of directors. Data in this study can be obtained in the annual report of the company. This study uses secondary data.

Descriptive statistics are the stages in the process of collecting, classifying, summarizing, interpreting, and presenting data regarding the average value, std. deviation, variance, highest value, lowest value, and total. The multicollinearity test aims to determine if there is a correlation between the independent variables. If there is no correlation between the independent variables, it can be concluded that the regression model is good. The step that can be taken is to observe the "Coefficients" table in the "Tolerance" column. If the value in the "Tolerance" column is not found to be a smaller value equal to 0.10, this proves that multicollinearity does not occur between the independent variables.

Because this study consists of data consisting of a combination of nominal scales and ratios on the independent variables used, then using a binary scale on the dependent variable used, this study uses a logistic regression analysis tool. Logistic regression is used when the dependent variable is categorical (nominal or ordinal scale). Logistic regression is used because the dependent variable has a nominal scale of two categories (binary), and the independent variable is a combination of parametric and non-parametric variables. The logistic regression technique does not require normally distributed data and only one classic assumption test is used, namely the multicollinearity test. In a logistic regression model, it is necessary to do a goodness of fit test. The goodness of fit test was carried out by considering the output of the Hosmer and Lemeshow's goodness of fit tests. The hypothesis used is the first hypothesis for the model that is hypothesized to be fit with the data, while the next hypothesis is the hypothesized model is not fit with the data. If the value of the Hosmer and Lemeshow goodness of fit test statistics is lower than 0.05 then the first hypothesis is rejected. By accepting a hypothesis that is not the first hypothesis, it means that there is a difference between the model and the observed value, and it is said that the goodness of fit is not good because the model is unable to predict the observed value. However, if the results of the Hosmer and Lemeshow's test are greater than 0.05, then the first hypothesis is accepted.

Then, overall fit model tests are observed in the classification table. The classification table displays estimated values that are both correct and incorrect, along with the percentage of classification accuracy. The predicted value of the dependent variable is coded 1 and 0 is in the column, while the observed value of the dependent variable is coded 1 and 0 is in the row.

The test used the logistic regression analysis model at a significance level of 5% through the SPSS 20 software and it was considered appropriate in this study because the dependent variable used was measured using a nominal scale. Equation in this study is: $Ln (F/1-F) = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + e$. F means financial statement fraud, X1 means leverage ratio, X2 means asset composition ratio, X3 means audit quality, and X4 means proportion of directors with accounting and finance background education.

This study uses logistic regression so that the Wald test is used by considering the value of the Wald statistic with a Chi-Square value at alpha of 5 percent. Or in SPSS, this can be observed by looking at the column "Sig." in the "variables in the equation" table. If the value is "Sig." lower than 0.050 indicates the independent variable affects the dependent variable.

RESULTS AND DISCUSSION

The description of the research object provides an overview of the entities that are the research sample. The object of research is companies in the manufacturing sector consisting of manufacturing companies in the basic and chemical industry sectors, the various industrial sectors, and the consumer goods sector at IDX in 2013 to 2017.

The research population is manufacturing entities in the basic and chemicals industries sector, miscellaneous industries sector, and consumer goods industries sector, listed on the IDX for the observation period from 2013-2017. This period is the observation period because it represents the final financial condition of the entity prior to this research.

Based on the year of the company, all companies in the manufacturing sector registered in 2013 were 138 companies, in 2014 there were 143 companies, in 2015 there were 143 companies, in 2016 there were 144 companies, and in 2017 there were 153 companies. In this study, the sample was determined using purposive sampling.

Descriptive statistics is a step to get an overview of the data for research. In this study, descriptive statistics show the minimum, maximum, sum, mean, and standard deviation values.

It can be seen in table 1, Leverage represents pressure which is the first element of fraud diamond and is measured using leverage (ratio scale). From the table, the minimum and maximum values are 0.045 and 5.070 respectively. While the sum value which is the sum of all data and the mean which is the average value obtained values of 276.860 and 0.51859 respectively. The leverage variable shows that on average, the sample companies used in this study have debt levels that are not too high.

From table 1, the Asset Composition represents the opportunity element which is the second element in the fraud diamond and is measured using asset composition (ratio scale). From the results of the SPSS analysis, a minimum value of 0.000 is obtained. Then the maximum value is obtained which is equal to 0.610. While the sum value which is the sum of all data and the mean which is the average value respectively obtained values of 81.105 and 0.15188. And for the standard deviation, a value of 0.104155 is obtained. The asset composition variable shows that on average, the comparison between trade receivables and total company assets in the sample companies taken in this study is quite low.

Based on table 1, directors background represents capability which is the fourth element of the fraud diamond as measured using the percentage of directors with an educational background in accounting and finance (ratio scale). For the minimum and maximum values each obtained a value of 0.000 with there being 154 companies in the sample which in this case did not have members of the board of directors with an educational background in accounting and finance, and 1.000 which in the form of a percentage was 100%. As for the sum which is the sum of all data and the mean which is the average value, the values obtained are 132.732 and 0.23171 respectively. For the standard deviation, a value of 0.202043 is obtained. The directors background variable shows that on average, the sample companies have a relatively low percentage of boards of directors with accounting and finance educational background.

For descriptive statistics using the dummy variable, it is presented in table 2. The companies belonging to the manipulator and non-manipulator types during the observation period used found the manipulator group to be 222 companies or 41.57%. Meanwhile, for the types of companies belonging to the non-manipulator group, 312 companies or 58.43% were obtained. Table 2 for the variable financial statement fraud as measured using the calculation of the Beneish M-Score Model shows that the average sample companies taken in this study are included in the manipulator category.

Table 2 presents companies audited by BIG 4 audit firms and companies audited by non-BIG 4 audit firms. For companies audited by BIG 4 audit firms, a total of 229 companies

Table 1
Descriptive Statistics Analysis Results

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Leverage	534	0.045	5.070	276.860	0.51859	0.460674
Asset Composition	534	0.000	0.610	81.105	0.15188	0.104155
Directors Background	534	0.000	1.000	123.732	0.23171	0.202043
Valid N (listwise)						
Source: Output Results SPSS 2020						

Table 2
Statistics Descriptive for Dummy Variable

Variables name	**Sum**	**Percentage**
Manipulator	312	58.43%
Non-manipulator	222	41.57%
Sum	534	100%
Variables name	**Sum**	**Percentage**
BIG 4 audit firm	229	42.88%
Non-BIG 4 audit firm	305	57.12%
Sum	534	100%
Source: SPSS Results 2020		

or 42.88% were obtained. Meanwhile, for companies audited by non-BIG 4 audit firms, a total of 305 companies or 57.12% was obtained. From table 2, which is the result of the analysis of the frequency distribution for the rationalization variable as measured using audit quality, it shows that most of the average companies taken as samples in this study used non-BIG 4 audit firms.

In this study the rationalization variable proxied by audit quality has the highest correlation with the opportunity variable proxied by asset composition of 0.117 or 11.7%. From this value, because the correlation is lower than 95%, there is no serious multicollinearity between the independent variables.

Based on table 3 for the Hosmer and Lemeshow's tests, the chi-square value is 6.634 and the significance value is 0.577. Significance which has a value greater than 0.05, namely 0.577 > 0.05, means that the model used does not show a difference between the observational data and the logistic regression model data. So that the goodness of fit tests can be said to be good because the observed values can be predicted by the model in the study.

To clarify the picture regarding the accuracy of the regression model for the observed data, a classification table is created containing cross-tabulations between the observations and predictions. Cross tabulation serves to confirm that there is no significant difference between the predicted data and the observed results. In the cross-tabulation column, the predicted value of the dependent variable for research is non-manipulator (1) and manipulator (0). Meanwhile, the row shows the actual observation of the dependent variable which is categorized into non-manipulator (1) and manipulator (0).

Table 4 shows 312 samples belonging to manipulators, 265 samples (84.9%) were predicted correctly by the logistic regression model, while the other 47 samples (15.1%)

Table 3. Goodness of fit test

Hosmer and lemeshow test			
Step	Chi-square	Df	Sig.
1	6.634	8	0.577

Source: SPSS 20 Output results 2020

Table 4. Classification Table

			Predicted		
			Fraud		Percentage correct
Observed			0	1	
Step 1	Fraud	0	265	47	84.9
		1	155	67	30.2
Overall percentage					62.2

a. The cut value is 0.500

Source: SPSS 20 Output Results 2020

Table 5. Logistic Regression Results

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Leverage	0.564	0.251	5.063	1	0.024*	1.758
	Asset composition	1.779	0.863	4.247	1	0.039*	5.926
	Audit quality	-0.437	0.183	5.686	1	0.017*	0.646
	Director's background	0.703	0.444	2.510	1	0.113	2.019
	Costant	0.883	0.255	12.015	1	0.001	0.413

a. Variable(s) entered on step 1: leverage, asset composition, audit quality, director's background

Source: SPSS 20 Output Results 2020

were predicted incorrectly by the logistic regression model. Of the 222 samples of companies that were classified as non-manipulators, 67 samples (30.2%) were predicted correctly by the logistic regression model, and the other 155 samples (69.8%) were predicted by the model incorrectly. It can be concluded that as many as 332 samples or 62.2% can be predicted correctly by the logistic regression model.

The fraud diamond independent variable with the first element, namely pressure is measured using leverage (with leverage as proxy on table 5) and tested using logistic regression. In table 5, a significance value of 0,024 is obtained, which means that leverage has a statistical effect because the calculated significance value is 0,024 < 0,050. Therefore, it can be concluded that pressure influences financial statement fraud. This study chooses 0.050 as an alpha. Bruin (2006) states that when researcher is running logistic regression in SPSS, researcher must decide an alpha value as a limit for coefficient. Researcher will compare p-value through alpha that have been decided before. If p-value is less than alpha value, it means researcher can decided that independent variable influences dependent variable. In this study, we got 0.024 which less than 0.050. Based on the fraud diamond theory

and from the results of this study, pressure will encourage fraudulent behavior by looking at the leverage owned by the company, or the hypothesis (1) is accepted. The fraud diamond theory states that fraudulent financial statements can be caused by pressure factors. Based on the theory of the fraud diamond (Wolfe & Hermanson, 2004) that the first fraud risk factor that can encourage fraudsters to commit fraud is pressure. Pressure can arise from outside the company, namely creditors as parties providing external funding. This study uses a leverage measurement proxy. The leverage ratio can be an indicator to see the amount of debt owned by a company. Pressure arises when the debt owned by the company cannot be paid off until the maturity date.

Previous studies such as those conducted by (Santoso & Surenggono, 2018) found that the leverage ratio can be a factor that influences the likelihood of companies being involved in financial statement fraud. Somayyeh (2015) found companies with indications of being involved in fraudulent financial reporting tend to have high leverage ratios. Meanwhile Dalnial et al., (2014) found that companies with high leverage ratios tend to be involved in fraudulent financial statements. The results in this study are like the findings of previous studies as presented in table 5.

The fraud diamond independent variable with the second element, namely opportunity is measured using asset composition (with asset composition as proxy on table 5) and tested using logistic regression. In table 5, a significance value of 0.039 is obtained, which means that asset composition has a statistical effect because the calculated significance value is 0.039 < 0.050. Therefore, it can be concluded that opportunity influences financial statement fraud. This study chooses 0.050 as an alpha. It because we must decide an alpha value as a limit for coefficient. Then, it will be compared p-value through alpha that have been choosen before. If p-value is less than alpha value, it means researcher can decided that independent variable influences dependent variable (Bruin, 2006). In this study, we got 0.039 which less than 0.050, the hypothesis (2) is accepted. Based on the fraud diamond theory (Wolfe & Hermanson, 2004) that the second fraud risk factor is opportunity. Opportunity can encourage fraudsters to commit fraudulent behavior by seeing that account receivable is vulnerable to not being disclosed. The possibility of fraud by management will be easier and more open when management can commit fraud.

According to the fraud diamond theory explained by (Wolfe & Hermanson, 2004) that the second fraud risk factor that can encourage fraudsters to commit financial statement fraud is opportunity. The measurement proxy used is the ratio of trade receivables and total assets. Receivable account balances can be one of the loopholes for committing fraud. Dalnial et al., (2014) explained that this is because the amount of the value of the account receivable balance also involves the role of management to determine the value of uncollectible receivables.

Asset composition is the ratio value from the comparison between receivables and total assets. Previous studies such as those conducted by Iswati et al., (2017) found that asset composition can be a factor that influences the possibility of companies being involved in fraudulent financial reporting. (Persons, 1995) found that companies involved in fraudulent financial statements overstated their receivables. The results of this study support previous research conducted by Iswati et al., (2017) and (Persons, 1995).

The fraud diamond independent variable with the third element, namely rationalization is measured using audit quality by grouping BIG4 and non-BIG4 public audit firms (with audit quality as proxy on table 5) and tested using logistic regression analysis. In table 5, a significance value of 0.017 is obtained,

which means that audit quality has a statistical effect because the calculated significance value is 0.017 < 0.050. Therefore, it can be concluded that rationalization influences financial statement fraud, or the hypothesis (3) is accepted. This study chooses 0.050 as an alpha. As it consists with Bruin (2006) said, that we must decide an alpha value as a limit for coefficient or signification degrees. After we got p-value, it will be compared p-value through alpha that have been choosen before. If p-value is less than alpha value, it means we can decide that independent variable influences dependent variable. In this study, we got 0.017 which less than 0.050.

Based on the fraud diamond theory (Wolfe & Hermanson, 2004) that the third fraud risk factor is rationalization. Rationalization can encourage fraudsters to fraudulent behavior. Rationalization arises if fraud is not found because the audit was carried out by non-Big 4 audit firms who are less proficient in finding fraud. Management will also try to present a rationalization or attempt to justify the fraud committed. As a party that can find fraud in financial statements, the role of the external auditor in this case is very crucial. It is possible that the external auditor also failed to find fraudulent financial statements. That failure is a rationalization for management.

Audit quality is a measurement that separates the BIG 4 audit firms (Deloitte Touche Tohmatsu, Price waterhouse Cooper, Ernst & Young, then KPMG) and non-BIG 4 audit firms. In previous research found that audit quality can be a factor that influence the possibility of a company being involved in financial statement fraud (Achmad, 2018). Likewise, the findings of Jamal et al., (2018) who also found that audit quality influences fraudulent financial reporting. In this case, non-BIG 4 audit firms are more prone to failure in discovering fraud than BIG-4 audit firms. The results of this study are in line with previous findings by Achmad (2018), and Jamal et al., (2018).

The fraud diamond independent variable with the fourth element, namely capability is measured using the percentage of accounting and finance education background on the board of directors (with director's background as proxy on table 5) and tested using logistic regression. Table 5 shows a significance value of 0.113, which means that the accounting and financial background on the board of directors has no statistical effect because the arithmetic significance value is 0.113 > 0.050. Therefore, it can be concluded that capability cannot be a factor that affects the possibility of the company being involved in fraudulent financial reporting or the hypothesis (4) is rejected. This study chooses 0.050 as a signification degree (alpha value). Bruin (2006) states that when we are running logistic regression in SPSS 20, we must decide signification degrees (alpha value) that if coefficient is have a value more than signification degrees (alpha value), then we declined that independent variable influence dependent variable. In this study, we got 0.113 which more than 0.050. Based on the fraud diamond theory (Wolfe & Hermanson, 2004) that the fourth fraud risk factor is capability. This study found that capability has no effect on fraudulent financial statements. And there's no issue for an entity with director's (education) background.

The board of directors is the controlling center in a company. Previous research found that there is an effect between director educational background (capability) and financial statement fraud (Baker et al., 2016). Like Koch-Bayram & Wernicke (2018) who found that capability influences fraudulent financial statements. This study found it in the different way, that means there is no effect between capability and financial statement fraud, as shown in table 5.

Also, this study will describe Df column that means lists the degrees of freedom for each of the tests of the coefficients (Bruin, 2006). The degrees of freedom in this study respectively are pressure is measured by leverage ratio have 1 degrees of freedom,

opportunity is measured by asset composition ratio have 1 degrees of freedom; rationalization is measured by audit quality (separates audit firm between BIG 4 and non-BIG 4) have 1 degrees of freedom; capability is measured by director's accounting and finance education background (director's background) have 1 degrees of freedom. Then, Exp(B) are the odds ratios for the predictors. They are the exponentiation of the coefficients only for variable with 1 degrees of freedom. 1.758 is odds ratios for pressure, opportunity's odds ratios are 5.926, 0.646 for rationalization element, and capability had 2.019 for odds ratios. If odds ratios are bigger than 1, it indicates that the event is more likely to occur as the predictor increases (Bruin, 2006).

This research is expected to have implications for maintaining reliable financial reports. Seeing the urgency arising from fraudulent financial statements raises concerns, especially for investors, creditors, and other stakeholders (Jan, 2018). One of the adverse effects that can be caused by financial statement fraud is reducing investor confidence, because investors feel insecure about the amount of funds that have been invested in a company. Then, creditors as parties that provide external financing sources also have the potential to suffer losses. This is because companies that have borrowed several funds have the potential to fail in paying off the amount of funds borrowed. Leverage that is too high will be very risky for the company if the debts owned by a company cannot be paid off when they are due. In addition, the debts owned by the company must also be paid off even though the company's income is declinin g. External auditors should have concern about financial statement fraud, but not only external auditors, there is other profession who must pay attention about it such as students and educators also need to develop knowledge about how dangerous fraudulent financial reporting can be. Because it is related to how much trust is given by the community (Koch-Bayram & Wernicke, 2018).

We hope this study could help in understanding not only in accounting perspective, but also in designing the research (generally). This study uses logistic regression, it because ordinal scaled is used in this study. We hope that everyone could understands the different in every ratio that available. We have described several columns in the variables in the equation's table, which important to understand the meaning of it. This study has described the meaning of Exp(B) and we hope that it could help for the future research. Also, Df and then Sig. on the table. It describes whether we can accept the relation between dependent and independent variables. Finally, as a theory which is a development of the previous theory namely the fraud triangle theory, Wolfe & Hermanson (2004) do not intend to eliminate the fraud triangle theory by presenting the fraud diamond theory, but they present a new perspective for the development of accounting science to all circles. Meanwhile, this theory has also tried to test various problems related to financial statements so that this theory is worthy of consideration for various circles.

CONCLUSION

The conclusion in this study is that the company's debt level measured through the leverage ratio will be able to put management under pressure so that it will be able to influence management as the party managing the company's operations to commit financial statement fraud. Then, the level of trade receivables owned by the company measured using the asset composition ratio can be a management opportunity factor to be involved in financial statement fraud. Audit quality or audit quality which is grouped into BIG4 audit firms (Deloitte, PwC, EY, and KPMG) and non-BIG4 can also be a rationalization factor that affects companies involved in fraudulent financial statements. This study finds a company where the board of directors is dominated by members of the board of directors with an educational background in accounting and finance so that

it reflects the capability of the company's board of directors cannot be a factor in the company's ability to commit financial statement fraud.

The limitation of this research is that the sample used for this study is limited to manufacturing companies. It is recommended to consider other types of companies such as financial services companies for future research. This research is expected to contribute to the development of accounting science, especially forensic accounting. Given the growing field of forensic accounting. Also, we recommend for the next research to use other recommended measurement, such Altman Z-Score or using list of companies that violate the rules of accounting standard. We also recommend for the next study to use banking companies as an object of the study or using financial statement that published by the government as an object.

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