



## The Detection of Financial Statement Fraud Using the Beneish Ratio Index on "Go Public Companies"

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### ABSTRACT

Fraud is an act which is carried out deliberately and it is carried out for the personal or other peoples' purposes, where the action causes losses to certain parties or institutions. Fraud in financial statement on the one hand can provide benefits for the businessmen because they can overstate their results and financial condition so that their financial statements look good at the public view. The existence of fraud has serious consequences, and brings many losses. The consequence is that the fraud detection becomes an important issue.

This research aimed to: (1) Knowing the percentage of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2018 classified as Manipulators; (2) Knowing the percentage of manufacturing companies listed on the Indonesia Stock Exchange 2017-2018 classified as Non-Manipulators; (3) Knowing the percentage of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2018 classified as Grey Companies. The object of this research was all the manufacturing companies listed on the Indonesia Stock Exchange which published their audited financial statements in 2018, which were 132 (one hundred and thirty two) companies in total.

The sampling technique used was non-probability method-purposive judgment sampling, where the sample was determined based on the certain criteria determined by the writer and limited in terms of generalization. The research sample was 67 (sixty seven) companies. The method of the data collection used softcopy download on the Indonesia Stock Exchange website [www.idx.co.id](http://www.idx.co.id). The data analysis technique used was quantitative descriptive analysis using the Beneish Ratio Index. The variables in this study were Days Sales in Receivables Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), and Total Accruals to Total Assets Index (TATA).

The test results could be concluded that 3 companies or 4.48% of the companies sample were classified as Manipulators who had to be the given administrative sanctions (fines) thus they would not make the same mistake in the next period, and 44 companies or 65.67% of the companies sample were classified as Non-Manipulators. This showed that these companies had a commitment not to harm other parties by not committing fraud or manipulation of their financial reports, and 20 companies or 29.85% of companies sample were classified Gray Companies, in which these companies sample were not included in the Manipulators, and Non-Manipulators category.

**Keywords :** *Manipulators, Non-Manipulators, Beneish Ratio Index*

## INTRODUCTION

### Background

The publication of financial statement is generally intended to provide information about the company's financial position, performance and cash flow. Financial statement is useful for most report users in order to make the economic decisions and show the management accountability for the use of resources entrusted to them (IAI, 2014). Therefore, the businessmen must be able to provide a right and relevant information and be free from the fraud which will greatly mislead the users of financial statement in the decision-making process.

Fraud is an act which is carried out deliberately and it is carried out for the personal or other peoples' purposes, where the action causes losses to certain parties or institutions. This fraud is an act that is outside the corridors of generally accepted accounting principles. Fraud includes the illegal acts which are intentionally carried out, and hidden, then obtaining the benefits by converting the cash or other valuables. These actions are done both internally and externally, on purpose, and in secret.

Related to the financial statement, fraud is defined as an intentional act that causes a material misstatement in financial statement (Generally Accepted Auditing Standard - GAAS, 2012). The misstatement contained in fraud financial statement is an intentional misstatement to deceive the users of it. The Sources of this misstatement include manipulation or falsification of accounting records, misstatement or intentional omission from financial statements, and misapplication of accounting principles. Fraud in financial statement on the one hand can provide benefits for the businessmen because they can overstate their results and financial condition so that their financial statements look good at the public view. Conversely, the increase of financial statement fraud is also very detrimental to the publics who rely heavily on their decision making based on it.

The Financial statement fraud scandals at the corporate level have occurred everywhere. In the United States, capital market players and society in general were shocked by accounting fraud scandals involving large companies such as Enron Corporation, WorldCom, Xerox, Tyco, Qwest, and others. Enron Corporation made a fraud by boosting the profits and hiding more than \$ 1 billion debt by using off-the-books partnerships, manipulating the electricity and energy markets in Texas and California. The scandal caused a market capitalization loss of \$ 70 billion which devastated a large number of investors, employees and retirees.

In Indonesia, the accounting fraud also occurs in many companies, both private and government companies. On December 6 2012, it was announced that Indonesia's score in the Corruption Perception Index (CPI) was 32 and was ranked 118<sup>th</sup> out of 176 countries measured for the level of corruption (Transparency International, 2012). This thing can be seen from many cases related to the corruption issues and fraudulent practices such as the liquidation of several banks, the submission of BUMN and private management to the court, banking crime cases, tax manipulation, and others.

In 2001, there was a fraud scandal committed by PT. Kimia Farma Tbk. PT. Kimia Farma is a pharmaceutical industry company whose shares have been traded on the stock exchange so that it has become a public company. Based on the indications by the Ministry of BUMN and Bapepam's examination, it was found that there was a misstatement in the financial statement which resulted in an overstatement of net income on 31<sup>st</sup> December 2001 by Rp 32.7 billion, which was 2.3% of sales and 24.7% of net income. This misstatement occurred by overestimating the sales and inventory in 3 business units, and it was done by inflating the inventory price that had been authorized by the production director to determine the inventory value in the distribution unit of PT. Kimia Farma on 31<sup>st</sup> December 2001. In addition, the management of PT. Kimia Farma also made double records of sales in 2 business units which were carried out in units that were not sampled by the external auditors.

The occurrence of undetectable fraud can give the disadvantage and defect effects for the financial statement process. The existence of fraud has serious consequences and brings many losses. The consequence is that the fraud detection becomes an important issue. The ability to identify the fraud quickly becomes a necessity. However, the detection of financial statement fraud does not always get a bright spot because of the various motivations that underlie it and there are many methods to assess the existence of the fraud. According to Cressey's theory (quoted by James A. Hall and Tommie Singleton, 2007), there are three conditions that are always present in fraud, they are pressure, opportunity, and rationalization. These three conditions are risk factors for fraud in various situations.

Messod D. Beneish in his article "The Detection of Earnings Manipulation" (Financial Analysts Journal, Sept-Oct 1999) conducted a study on the quantitative difference between public companies that manipulated financial statement and companies that did not. Beneish used financial statement data from all companies listed in the COMPUSTAT database 1989-1992. Beneish indicates that the possibility of manipulation

is characterized by a tremendous increase in receivables, worsening gross margins, decreasing assets, growing sales, and increasing accruals. Beneish used the variable Days Sales in Receivables Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), Depreciation Index (DEPI), Sales General And Administrative Expenses Index (SGAI), Leverage Index (LVGI), and Total Accruals to Total Assets Index (TATA), as predictors to detect the manipulation. By using these variables, Beneish was able to identify that 76% of the sample companies manipulated their financial statement. Beneish states that the variables DSRI, GMI, AQI, SGI, and TATA are significant variables in detecting the possibility of manipulation and are able to distinguish between Manipulator Companies and Non-Manipulator Companies.

Similar research was also conducted by Joseph T. Wells (2001), published in his article entitled "Irrational Ratios". Wells used the Beneish Ratio Index to reveal the cases of financial statement fraud committed by the carpet cleaning company in the United States "ZZZ Best Carpet Cleaning Service", which occurred in the mid-1980s. From the results of his research, it was evident that Barry Minkow's company deceived investors and auditors in a financial statement fraud scheme that reached \$ 100 million.

Beneish (1999) suggests the use of accounting variables considered to signal future prospects as a technique for detecting the manipulation. This technique is based on the idea of the importance of company information that can capture the nature of the company's operations or activities economically and has a detection capability which makes sense economically (Yavida, 2001). Based on the description above, the title of the proposed research is "The Detection of Financial Statement Fraud Using the Beneish Ratio Index on Go Public Companies"

### **Problem Formulations**

Based on the background of the problems stated above, the problem formulations in this study were as follows :

1. How many companies on the IDX which were classified as Manipulators?
2. How many companies on the IDX which were classified as Non-Manipulators?
3. How many companies on the IDX which were classified as Gray Companies?

### **Problem Limitation**

This research was only limited to the manufacturing companies listed on the Indonesia Stock Exchange in 2017 and 2018.



## Research purposes

Based on the problem formulation above, it could be seen that the objectives of this study were as follows:

1. Knowing the companies on the IDX which were classified as Manipulators
2. Knowing the companies on the IDX which were classified as Non-Manipulators
3. Knowing the companies on the IDX which were classified as Gray Companies

## Research Benefits

The benefits of this research were detailed as follows :

1. Theoretical Benefits

The results of this study were expected to be a consideration for the parties conducting a research about "The Detection of Financial Statement Fraud Using the Beneish Ratio Index on Go Public Companies".

2. Practical Benefits :

- a. For the writer :

It was expected to be able to implement the accounting knowledge that had been obtained and studied during the lecturing process and to develop the researcher's insights, especially in detecting the financial statement fraud of the manufacturing companies.

- b. For the Company

The results of this study could be a warning, thus the management did not commit a fraud in their financial statement presentation.

- c. For Investors and Creditors

The results of this study were expected to contribute ideas in making economic decisions and provide information about which companies listed on the Indonesia Stock Exchange (BEI) were classified as Manipulators, which companies were classified as Non-Manipulators, and which was the Gray Companies.

- d. Financial Service Authority

It could be used as a reference in conducting a supervision of companies listed on the Indonesia Stock Exchange (IDX).

## Previous Research

Yavida Norim and Indra Wijaya Kusuma (2001) research entitled "The Use of Accounting Variables to Detect Earnings Management". This study aimed to detect the manipulations carried out by the management or called earnings management using

accounting variables which were considered to have signals of future prospects, they were the Days Sales in Receivables Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI).

Elang Widya Prakoso (2009) with the title "Ratio Index Analysis to Detect Fraud/Deviation Financial Statement (Case Study of companies listed on the Indonesia Stock Exchange in December 2007)". The purpose of this study was to determine which companies listed on the IDX in December 2007 classified as Manipulators and which companies classified as Non Manipulators.

Putri Fabelli (2011) entitled "Analysis of 'Indexes' (Beneish Ratio Index) to Detect Fraud in the Financial Statement of Manufacturing Companies listed on the IDX in December 2008". The purpose of this study was to determine the percentage of manufacturing companies listed on the Indonesia Stock Exchange in December 2008 which were classified as Manipulators and which were classified as Non Manipulators.

## **THEORETICAL BASIS**

### **Definition of Fraud**

Taking something belonging to another person illegally can be done by forcibly taking the property of another person using a weapon so that the item is given, or by cunning (deceptive). In the Oxford English Dictionary, fraud (fraud) is a criminal act of cheating by using the false representations to gain an unfair advantage or forcibly take the rights or interests of others.

### **Financial statement**

The financial condition and the operation results of the company reflected in the company's financial statement are essentially the final results of the company's accounting activities. According to Irham Fahmi (2012: 22), "The financial statement is information describing the condition of a company, which in turn becomes information describing the performance of a company".

### **Financial Statement Fraud**

Rezaee (2005) quoted by Ratna Wardhani (2012) defines fraud in financial statements, "Financial statement fraud is a deliberate attempt by corporations to deceive or mislead users of published financial statements, especially investors and creditors, by preparing and disseminating materially misstated financial statements".

## RESEARCH METHOD

### Type of Data

The type of research used in this research was descriptive quantitative research. Descriptive research is a research conducted to determine the value of the independent variable, either one or more (independent) variables without making comparisons, or connecting with other variables (Sugiyono, 2012).

Descriptive research aims to describe the nature of something that is taking place at the time the research is conducted and examine the causes of a particular symptom, based on the data obtained. This study used quantitative data, which was the data in the form of numbers because it referred to the calculations such as financial statements in 2017 and 2018.

### Source of Data

The source of data used in this study was secondary data by taking the financial statement data of manufacturing companies listed on the Indonesia Stock Exchange in 2018.

### Method of Data Collection

The data used in this study were in the form of financial statement of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018. The data was obtained from downloading the softcopy of the issuer's financial statement on the Indonesia Stock Exchange (BEI) website [www.idx.co.id](http://www.idx.co.id).

### Data Analysis Method

This study used the Ratio Index analysis method to the company's financial statement data which became the sample. The ratio index calculation was intended to determine the category of a company classified as Manipulators or Non-Manipulators. Companies were categorized as Manipulators or Non-Manipulators if they obtained the ratio index value according to the parameter index of the Beneish Model.

### Population and Sample

#### 1. Population

The population in this study was all manufacturing companies listed on the Indonesia Stock Exchange (IDX) publishing their audited financial statement in 2018. Manufacturing companies (processing industry) on the Indonesia Stock Exchange (IDX) included 54 basic industrial and chemical companies sector, 41 various industry companies sector, and 37 consumer goods industry companies sector. The population was 132

companies obtained from downloading softcopy of financial statements of issuers on the Indonesia Stock Exchange (BEI) website.

## 2. Sample

The determination of the sample in this study was carried out by means of non-probability purposive judgment sampling, where the sample was determined based on certain criteria determined by the writer and had limitations in terms of generalization.

Some of the criteria in determining the sample were as follows:

- a. The manufacturing company issued a consolidated financial statement (audited) on December 31, 2018.
- b. The manufacturing company announced a profit on December 31, 2018.
- c. The manufacturing company experienced an increase in sales from 2017 to 2018. According to Beneish (1999), the possibility of manipulation can be indicated by an increase in sales.
- d. The manufacturing company experienced an increase in profits from 2017 to 2018. Beneish (1999) indicates that an increase in earnings also indicates the possibility of manipulation.

### Operational Definition of Research Variables

The research variable is the object of research or what is the point of attention of a study. The variable used in this study was a single variable, which was the detection of financial statement fraud using the Beneish Ratio Index. According to Beneish (1999) there are 5 (five) significant variables to predict the existence of manipulation in financial statement, these variables are:

#### 1. Days Sales in Receivables Index (DSRI)

DSRI is the ratio of the sale day number in the receivable account at the first year of manipulation (year t) to the previous year measurement (year t-1).

$$DSRI = \frac{\text{Accounts Receivable}_t : \text{Sales}_t}{\text{Accounts Receivable}_{t-1} : \text{Sales}_{t-1}}$$

#### 2. Gross Margin Index(GMI)

GMI is the gross ratio margin in the previous year (year t-1) to the gross margin in the first year of manipulation (year t).

$$GMI = \frac{\frac{\text{Sales}_{t-1} : \text{Cost Of Sales}_{t-1}}{\text{Sales}_{t-1}}}{\frac{\text{Sales}_t : \text{Cost Of Sales}_t}{\text{Sales}_t}}$$



## 3. Asset Quality Index(AQI)

AQI is the ratio of non-current assets (excluding property, plant and equipment) to the total assets, which measures the proportion of total assets to the less certain future profits.

$$AQI = \frac{1 - \text{Current Assets}_t + \text{Net Fixed Assets}_t + \text{Total Assets}_t}{1 - \text{Current Assets}_{t-1} + \text{Net Fixed Assets}_{t-1} + \text{Total Assets}_{t-1}}$$

## 4. Sales Growth Index(SGI)

SGI is the sales ratio in the first year of manipulation (year t) to the previous year sales (year t-1).

$$SGI = \frac{\text{Sales}_t}{\text{Sales}_{t-1}}$$

## 5. Total Accruals to Total Assets(TATA)

TATA is the total accruals ratio to total assets where the total accruals are calculated as changes in working capital accounts other than cash and receivable tax.

**TATA**

$$= \frac{\Delta \text{Working Capital} - \Delta \text{Cash} - \Delta \text{Current Taxes Payable} - \text{Depreciation and Amortization}}{\text{Total Assets}}$$

### Comparing the Calculated Index with the Parameter Index (Beneish Ratio index).

## 1. Days Sales in Receivables Index(DSRI)

No.	Index	Information
1	$\leq 1,031$	<i>Non Manipulators</i>
2	$1,031 < \text{index} < 1,465$	<i>Grey</i>
3	$\geq 1,465$	<i>Manipulators</i>

(Source: *Beneish Ratio Index*, 1999)

## 2. Gross Margin Index (GMI)

No.	Index	Information
1	$\leq 1,014$	<i>Non Manipulators</i>
2	$1,014 < \text{index} < 1,193$	<i>Grey</i>
3	$\geq 1,193$	<i>Manipulators</i>

(Source: *Beneish Ratio Index*, 1999)

## 3. Asset Quality Index(AQI)

No.	Index	Information
1	$\leq 1,039$	<i>Non Manipulators</i>
2	$1,039 < index < 1,254$	<i>Grey</i>
3	$\geq 1,254$	<i>Manipulators</i>

(Source: *Beneish Ratio Index*, 1999)

## 4. Sales Growth Index(SGI)

No.	Index	Information
1	$\leq 1,134$	<i>Non Manipulators</i>
2	$1,134 < index < 1,607$	<i>Grey</i>
3	$\geq 1,607$	<i>Manipulators</i>

(Source: *Beneish Ratio Index*, 1999)

## 5. Total Accruals to Total Assets (TATA)

No.	Index	Information
1	$\leq 0,018$	<i>Non Manipulators</i>
2	$0,018 < index < 0,031$	<i>Grey</i>
3	$\geq 0,031$	<i>Manipulators</i>

(Source: *Beneish Ratio Index*, 1999)

### **Determining the Companies Classified as Manipulators or Non-Manipulators According to the Classification Criteria.**

1. Companies having  $\geq 3$  (three) calculated indexes in accordance with the parameter index stating Manipulators were classified as Manipulators Companies.
2. Companies having  $\geq 3$  (three) calculated indexes in accordance with the parameter index which stated Non-Manipulators were classified as Non-Manipulators Companies.
3. Companies having  $\geq 3$  (three) calculated indexes that corresponded to the parameter index which stated gray, and the calculated index that did not fulfill the 2 (two) criteria for the classification of Manipulators and Non-Manipulators were classified as Gray Companies.

### Calculating the Percentage Numbers of Companies Classified as Manipulators or Non Manipulators.

- a. Manipulator Companies

$$\text{Manipulator} = \frac{\text{Number of Manipulator Companies}}{\text{Total Samples}} \times 100\%$$

- b. Non-Manipulator Companies

$$\text{Non Manipulator} = \frac{\text{Number of Non – Manipulator Companies}}{\text{Total Samples}} \times 100\%$$

- c. Grey Companies

$$\text{Grey} = \frac{\text{Number of Grey Companies}}{\text{Total Samples}} \times 100\%$$

### RESEARCH RESULT and DISCUSSION

The Indonesian Capital Market was established in Jakarta on December 14 1912. The Indonesian Stock Exchange (IDX) was founded long before the independence of Indonesia by the Dutch Indies government, organized by Vereniging voor de effectenhandel, which at that time was still called the Jakarta Stock Exchange (BEJ) (Fahmi, 2012).

#### Description of Research Data

The data used in this study were secondary data obtained from the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)) and the literatures supporting this research. The criteria for companies which were become as the population were all the companies included in the category of manufacturing companies (processing industry) in 2018, which were 132 companies. Based on the characteristics of the sample selection above, there were 67 companies that would be used as the research samples. The following table presented the results of sample selection using a non-probability method - purposive judgment sampling.

#### Research result

This study aimed to determine which companies classified as Manipulators, and which companies classified as Non-Manipulators. The objects studied were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018 with

some of the criteria mentioned previously, thus the final sample obtained was 67 companies.

Based on the financial statement data from the 67 sample companies, then the calculation of the ratio index (index count) for each company was carried out. The calculation results of the ratio index were then adjusted to the parameter index according to the Beneish Model. This calculation was intended to determine the category of a company, whether the company was classified as a Manipulator Company or a Non-Manipulator Company.

The results of the companies classification classified to 67 companies were presented in the following table:

#### Group of Manipulator Companies

No	ISSUER	DSRI	GMI	AQI	SGI	TATA	CATEGORY
1	JPRS	M	M	N	G	M	<i>Manipulators</i>
2	LMSH	G	N	M	M	M	<i>Manipulators</i>
3	SPMA	M	M	M	N	N	<i>Manipulators</i>

(Source: Data Processed Results in 2019)

#### Group of Non-Manipulator Companies

No	ISSUER	DSRI	GMI	AQI	SGI	TATA	CATEGORY
1	SMCB	N	N	N	G	N	<i>Non Manipulators</i>
2	SMGR	N	G	N	G	N	<i>Non Manipulators</i>
3	ARNA	N	G	N	N	N	<i>Non Manipulators</i>
4	ALKA	M	N	N	N	M	<i>Non Manipulators</i>
5	MYRX	N	N	M	M	N	<i>Non Manipulators</i>
6	PICO	N	G	N	N	M	<i>Non Manipulators</i>
7	BUDI	N	N	N	G	M	<i>Non Manipulators</i>
8	ETWA	G	N	G	N	N	<i>Non Manipulators</i>
9	SRSN	G	N	N	N	M	<i>Non Manipulators</i>
10	TPIA	N	M	N	G	N	<i>Non Manipulators</i>
11	UNIC	N	N	N	G	N	<i>Non Manipulators</i>
12	BRNA	N	N	N	G	N	<i>Non Manipulators</i>
13	ALDO	N	N	N	N	G	<i>Non Manipulators</i>



14	INKP	N	M	G	N	N	<i>Non Manipulators</i>
15	TKIM	N	N	N	N	N	<i>Non Manipulators</i>
16	IMAS	N	G	N	G	N	<i>Non Manipulators</i>
17	INDS	N	N	N	G	M	<i>Non Manipulators</i>
18	SMSM	N	N	N	G	N	<i>Non Manipulators</i>
19	ADMG	G	N	N	G	N	<i>Non Manipulators</i>
20	ERTX	M	N	N	N	M	<i>Non Manipulators</i>
21	ESTI	N	N	N	G	M	<i>Non Manipulators</i>
22	RICY	G	N	M	N	N	<i>Non Manipulators</i>
23	IKBI	N	N	N	G	M	<i>Non Manipulators</i>
24	KBLM	G	N	N	G	N	<i>Non Manipulators</i>
25	SCCO	N	N	N	G	N	<i>Non Manipulators</i>
26	VOKS	N	N	M	G	N	<i>Non Manipulators</i>
27	CEKA	N	N	N	M	N	<i>Non Manipulators</i>
28	DLTA	N	N	N	G	N	<i>Non Manipulators</i>
29	ICBP	G	G	N	N	N	<i>Non Manipulators</i>
30	INDF	N	G	N	G	N	<i>Non Manipulators</i>
31	MLBI	G	N	M	N	N	<i>Non Manipulators</i>
32	SKLT	G	N	N	N	N	<i>Non Manipulators</i>
33	RMBA	G	N	N	N	N	<i>Non Manipulators</i>
34	DVLA	N	N	G	N	M	<i>Non Manipulators</i>
35	INAF	G	N	N	G	N	<i>Non Manipulators</i>
36	KAEF	N	N	N	N	M	<i>Non Manipulators</i>
37	KLBF	G	N	N	N	N	<i>Non Manipulators</i>
38	PYFA	G	N	M	N	N	<i>Non Manipulators</i>
39	TSPC	N	N	G	N	N	<i>Non Manipulators</i>
40	MBTO	N	N	N	G	M	<i>Non Manipulators</i>
41	TCID	N	G	N	N	M	<i>Non Manipulators</i>
42	UNVR	G	N	N	G	N	<i>Non Manipulators</i>
43	KDSI	G	N	N	N	M	<i>Non Manipulators</i>
44	LMPI	N	G	N	G	N	<i>Non Manipulators</i>

(Source: Data Processed Results in 2019)

**Group of Grey Companies**

No	ISSUER	DSRI	GMI	AQI	SGI	TATA	CATEGORY
1	INTP	G	G	G	G	N	<i>Grey</i>
2	AMFG	G	G	G	N	N	<i>Grey</i>
3	TOTO	G	G	M	G	N	<i>Grey</i>
4	INAI	G	G	N	G	N	<i>Grey</i>
5	LION	G	G	G	G	M	<i>Grey</i>
6	TBMS	N	G	M	G	N	<i>Grey</i>
7	TRST	N	G	M	G	G	<i>Grey</i>
8	CPIN	G	G	M	G	M	<i>Grey</i>
9	MAIN	G	G	N	G	M	<i>Grey</i>
10	ASII	G	G	N	G	N	<i>Grey</i>
11	INDS	G	N	N	G	M	<i>Grey</i>
12	NIPS	N	N	G	G	G	<i>Grey</i>
13	PRAS	M	G	N	G	N	<i>Grey</i>
14	PBRX	G	N	M	G	N	<i>Grey</i>
15	POLY	N	G	N	G	M	<i>Grey</i>
16	JECC	N	N	G	G	G	<i>Grey</i>
17	AISA	G	G	N	M	N	<i>Grey</i>
18	ROTI	G	G	M	G	N	<i>Grey</i>
19	HMSP	N	N	G	G	M	<i>Grey</i>
20	MRAT	G	N	N	G	M	<i>Grey</i>

(Source : Data Processed Results in 2019)

**DISCUSSION RESULT****Discussion of Manipulators Company**

According to the analysis, there were 3 (three) companies or 4.48% of the total sample companies which committed fraud (fraud) in their financial statement presentation. Companies that committed fraud against their financial statement could harm the parties using the financial statements, because the financial statements were not presented in accordance with the existing facts. Fraud was usually carried out by exaggerating the assets

and profits to attract the attention of investors and creditors to invest or provide credit loans to the company.

### **Discussion of Non-Manipulators Company**

According to the results of the analysis, 44 (forty four) companies or 65.67% of the total sample companies did not commit fraud against their financial statement presentation. This thing showed that these companies had a commitment not to harm other parties, by not committing fraud or manipulation of their financial statement.

### **Discussion of Grey Company**

According to the analysis, there were 20 (twenty) companies or 29.85% of the total sample companies which were not included in the manipulators and non-manipulators category. To be categorized as a company that did not manipulate the financial statement, the ratio index of the company exceeded the predetermined threshold value, while to be categorized as a company manipulating the financial statement, the company's ratio index did not exceed the threshold value.

## **CONCLUSION and RECOMMENDATION**

### **CONCLUSIONS**

Based on the analysis and the discussion above, the conclusions were as follow :

#### **1. Manipulator Companies**

The ratio index analysis showed that 3 (three) companies or 4.48% of the sample companies were classified as the manipulators. The companies belonging to the Manipulator Companies category had the indications of committing fraud (cheating) on their financial statement presentation.

#### **2. Non-Manipulator Companies**

The ratio index analysis showed that 44 (forty four) companies or 65.67% of the sample companies were classified as Non Manipulators. The companies which were classified as Non Manipulator Companies had the indications of not committing fraud (cheating) on their financial statement presentation.

#### **3. Grey Companies**

The companies that were not classified as Manipulators and Non Manipulators companies were included in the Gray Company. The companies in this group were 20 companies or 29.85% of the companies' sample.

## RECOMMENDATIONS

The writer has several suggestions that can help further research, including the following :

1. The future research is expected to be able to choose a longer observation year period, and expand the research sample, so that it is not just limited to one sector, with the aim that the obtained results will be more accurate, thus it can describe the phenomenon of financial statement fraud.
2. In further research, other accounting variables can be added, such as the Sales General and Administrative Expenses Index (SGAI), Leverage Index (LVGI), and Depreciation Index (DEPI), which may complement and improve for the better results.
3. For companies, it is expected that they will not commit fraud (fraud) in their financial statement presentation, because it can harm the users of the financial statement. For Investors, potential investors, shareholders and creditors, as well as the capital market analysis in making decisions to buy shares, it is expected to be able to properly analyze financial statement or look for additional information outside the financial statement.



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