The Analysis of Fraudulent Financial Reporting (Case Study during Pandemic Time in Indonesia)

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ABSTRACT

Financial report is communication tools that are part of the accounting process. Financial statements contain information about company's condition and company's performance that needed by investors for economic decision making. In addition, financial statements are prepared by management and management has a tendency to shows that the company's financial condition is well. The financial statements aim to provide information concerning the financial position of an company that is beneficial to a large number of users in economic decision making (Harahap, 2013). Wrong information that publish in financial statement will be affected to all decision maker (management, investor, creditor, etc). However, the are several cases of fraud committed by the management to display a satisfactory financial statement. The American Institute of CPA's or AICPA (2012) defines fraud as a deliberate act of fraud by someone or several people in management, the government, employees, or third parties to obtain illegal benefits. The case of fraudulent financial reporting of go public companies in becomes one of the bad factors for the economy of a country (Apriliana and Agustina, 2017). There are some go public companies in Indonesia are known commit fraud practices of financial statements: PT Kimia Farma Tbk (2001), PT Indofarma Tbk (2001), PT Kereta Api Indonesia (2006), PT Hanson International Tbk (2016), PT Asuransi Jiwasraya (2017), PT Garuda Indonesia (2018), PT Envy Technologies Indonesia (2019). From all of this cases, known that financial statement have been manipulated and make a big losses for investors. Fraudulent Financial Reporting also lying to the public that can affect to the wrong decision making.

Keywords: Earnings Management, Financial Performance, Fraudulent Financial Reporting, Fraud Triangle