ABSTRACT

This study refers the hexagon fraud theory to detect companies indicated of financial statement fraud based on the Beneish M-Score. Based on the theory, there are six indicators of fraud: Pressure, Opportunity, Rationalization, Capability, Arrogance, and Collusion. In this study, these six indicators are reflected in eight research variables: Pressure is proxied by financial targets and the external pressure, the opportunity is proxied by ineffective supervision, rationalization is proxied by auditor turnover and total accrual ratio, capability is proxied by director turnover, arrogance is proxied by the frequency of CEO photos, and collusion is proxied by political connections. The purpose of this study is to investigate whether the eight variables derived from Hexagon Fraud Theory have an effect on the financial statement fraud. The sample of this study was manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange during 2021-2025. Based on the sampling technique using purposive sampling, a sample of 58 companies was obtained with financial statements 2021-2025, resulting in a total 290 observations. The study used logistic regression analysis techniques with the SPSS application of version 26 and Eviews14. The results indicate that financial targets, external pressures, ineffective oversight, the total accrual ratio, and the frequency of CEO photographs have a significant positive effect on the financial statement fraud. However, changes in directors have the opposite effect. Other variables, such as auditor changes and political connections, do not significantly influence financial statement fraud. Implications, limitations, and areas for future research are also discussed.

Keywords: fraud hexagon, financial statement fraud