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Fraud of Financial Reports in Food and Beverage Companies

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ABSTRACT: The formulation of the problem in this research is How is the influence of financial stability, external pressure, financial targets and Ineffective monitoring against fraudulent financial statements (a case study on Food and Beverage Companies listed on the Indonesia Stock Exchange for the 2017-2021). The type of research used is associative research. The data used is secondary data. The sampling method used is purposive sampling method based on certain criteria. The samples in this study are 12 food and beverage companies listed on the Indonesia Stock Exchange in 2017-2021. The data collection technique is document analysis. The method of data analysis in this study is quantitative analysis. The results of this study indicate that Financial Stability, External Pressure, ineffective monitoring has no effect on fraudulent financial statements, Meanwhile Financial Targets has a significant effect on fraudulent financial statements.

KEYWORDS: Financial Stability, External Pressure, Financial Targets, Ineffective monitoring and Financial Statement Fraud

1. INTRODUCTION

Financial reports are one of the most important information in assessing the development of a company that is in good condition or not, and is used to assess the achievements of the company in the past, present and future plans (Maith, 2013). Each company has financial reports that aim providing information regarding the financial position, performance and changes in the company's financial position that is useful in making decisions and showing the performance that has been carried out by management (Betri, 2020). Taxes have a very important role in a country, without taxes the country's life will not be able to run properly. Infrastructure development and construction of public facilities are all financed by taxes. Therefore, the government will continue to strive to increase tax revenues to meet national development needs. Implementation of tax collection by the government, is not always well received by companies. Companies as corporate taxpayers always try to pay taxes as low as possible because taxes will reduce income or net profit, while the government hopes to get as much income from taxes as possible so that it can finance the implementation of government programs that are realized for the community (Maisyaroh, 2016).

However, the company has a desire to display positive financial report results to attract parties who have an interest in the company so that company management uses various ways to display financial reports. One of them is by manipulating financial reports so that the company's condition looks good. This act of manipulating financial reports is a form of fraud. Fraud is an unlawful act committed by people from within or outside the organization, with the intention of obtaining personal or group benefits that directly harm other parties (Betri, 2020) Fraud can have a major effect on changes in a company's economic position. Basically fraud in the company is an act based on dishonesty that can be committed by someone, both leaders and employees, which results in losses to the company.

There are various types of fraud that we often encounter in companies, namely, fraudulent financial statement, asset misappropriation and corruption, Association of Certified Fraud Examiners (ACFE),2019. Fraud usually occurs due to weak internal controls and lack of understanding and pressure from various parties so that the company's performance can be assessed as good so that the company gets encouragement to commit fraud namely by manipulating financial reporting.

Fraud in financial statements is a misstatement or omission of amounts or disclosures that are intentionally made with the aim of deceiving users (Betri, 2020). company that public offering is a company that makes that happen fraud which is more than companies that have not been listed on the stock exchange. Basically what drives someone to commit fraud is financial need,
but many are also driven because of their greed or because of a conflict of interest between management (*agent*) with shareholders (*principal*) that benefit one party so that fraudulent financial statements occur.

Fraud of Financial Reports in Food and Beverage Companies

The fraud committed is very diverse, namely by utilizing accounting principles, carrying out earnings management to carrying out illegal actions. If there is no prevention, fraudulent financial reporting will often occur. Researchers tested several factors that cause fraudulent financial statements namely pressure proxied using financial stability, external pressure, and financial targets, while opportunity is proxied using supervisor ineffective monitoring (Purba, 2021).

Pressure namely financial pressure which is interpreted as a general incentive for employees who misuse assets. Employees who have a lot of debt or those who are involved in drug and gambling addiction problems can steal to meet their personal needs (Betri, 2020).

Financial Stability is a condition that describes the company's financial condition in a stable condition. To determine the stability of the company's financial condition can be seen from its assets. The company's financial condition is said to be stable if the company can meet current routine needs, future needs, even sudden or sudden needs (Wahyuni and Budiwitjaksono, 2017) Financial Target is a financial target given by the shareholder and must be achieved by the manager in one period. Financial targets is the risk of excess pressure on management to achieve financial targets given by management, including the objectives of receiving incentives from sales and profits (Kayoi and Fuad, 2019).

Opportunity is a weakness in internal control, thereby creating opportunities for theft. Inadequate segregation of duties almost certainly becomes a license for employees to commit theft (Betri, 2020). Ineffective Monitoring is a condition that illustrates the weakness of oversight of the company in monitoring the company's performance. If this happens, the opportunity or opportunity for someone to commit fraud is very large (Utama and Yuniarta, 2020).

Previous research (Purba, 2021) states that Financial Stability has a positive influence on the occurrence of fraudulent financial statements. Meanwhile (Rachmania, 2017) research results Financial Stability has no effect on fraudulent financial statements. (Sihombing and Rahardjo, 2014) External Pressure have an influence on fraudulent financial statements. Meanwhile (Ancient, 2021)External Pressure has no effect on fraudulent financial statements.

According to (Ayuningrum, Murni and Astuti, 2021) Financial Targets effect on fraudulent financial statements. However (Wahyuni and Budiwitjaksono, 2017) stated Financial Targets does not have a significant effect on fraudulent financial statements. The results of the study (Ratmono, Diany and Purwanto, 2017) show that opportunity has a significant effect on financial statement fraud. Meanwhile (Paramitha, Frederica and Iskandar, 2022) opportunity has no significant effect on fraudulent financial statements. (Sulkiyah, 2016) states that Ineffective Monitoring have an influence on the occurrence of fraudulent financial statements. However, according to (Rachmania, 2017) argues that Ineffective Monitoring has no effect on fraudulent financial statements.

Phenomena associated with fraudulent financial statements are cited in Association of Certified Fraud Examiners (ACFE)2019, conducted research, which stated that fraud the most detrimental in Indonesia based on the total value of the loss is corruption as much as 64.4%, asset misappropriations as much as 20.9%, and fraudulent financial statements as much as 9.2%. Even though financial statement fraud has a small percentage of losses of 9%, the majority or the most incidents compared to corruption and misuse of assets with a loss value of below IDR 10 million, but the fewest events with the largest loss value of above IDR 10 billion are in corruption cases (ACFE, 2020)

The phenomena of fraudulent financial statements in food and beverage companies in 2018 PT Tiga Pilar Sejahtera Food Tbk, there was fraudulent financial statements that started with an internal management dispute. Based on the results of the Ernest & Young auditor's investigation, the management did mark up funds for the 2017 financial statements of Rp. 4 trillion in several accounting posts, namely income of Rp. 662 billion and earnings before interest, taxes, depreciation of Rp. 329 billion and amortization of transfer of funds of Rp. 1.78 trillion by old management to relations (Kesuma , 2021).

Financial Stability

Financial Stability is the company's financial condition is in a stable condition balance to know the stability of the company's financial condition can be seen from its assets, because the number of assets explains the amount of company wealth (Rachmania, 2017).

The company's financial condition is said to be stable if the company can meet current routine needs, future needs, even urgent or sudden needs (Wahyuni and Budiwitjaksono, 2017) According to (Skousen, Smith and Wright, 2009) Financial Stability is a condition that describes the company's financial condition in a stable condition. Financial stability is proxied by the ratio of changes in total assets (ACHANGE), if the ratio of changes in assets of a company is greater, the possibility of fraudulent financial statements in the company is also higher (Sihombing and Rahardjo, 2014). Measurement of Financial Stability uses the formula:

$$ACHANGE = \frac{Total\ asset\ (t)\ - Total\ Asset\ (t-1)}{Total\ Asset\ (t-1)}$$

Source: (Skousen, Smith and Wright, 2009)

External Pressure

External pressure is pressure received by company management to fulfill the wishes of external parties (Rahmayuni, 2018). Demands to fulfill requirements in paying or fulfilling debt agreements are recognized as a source of external pressure. So that managers feel pressure as a result of the need to obtain additional debt or equity financing so that the company remains competitive (Skousen, Smith and Wright, 2009). According to SAS No.99 When there is excessive pressure from external parties it will create a fraudulent risk of financial statements.

Measurement of External Pressure uses the Leverage ratio, which is the ratio of total debt divided by total assets. The Leverage Ratio (Lev) shows the proportion of the total use of debt by a company. Companies with high leverage have debt prerequisites and earnings manipulation motivation. The greater the leverage level of a company, the higher the probability of a Fraud Financial Statement occurring (Norbarani and Rahardjo, 2012). External Pressure Measurement uses the formula:

$$\text{LEV} = \frac{Total\ Debt}{Total\ Assets}$$

Source: (Yesiariani and Rahayu, 2017)

Financial Targets

Financial target is a pressure or target in achieving company goals set by the directors or management which includes the goal of receiving incentives either from sales or profits (Yesiariani and Rahayu, 2017).

Financial targets are proxied by Return On Assets (ROA). ROA percentage is used to see changes in probability levels to show how efficiently the assets have been used which are intended to attract investors to invest and increase the value of shares as described (Skousen, Smith and Wright, 2009). Measuring Financial Targets in this study uses the formula:

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}$$

Source: (Yesiariani and Rahayu, 2017)

Ineffective Monitoring

Ineffective Monitoring is a condition that describes the weakness of company supervision in monitoring company performance (Aprilia and A, 2017). If this happens, the opportunity or opportunity for someone to commit fraud is very large (Utama and Yuniarta, 2020). Ineffective management monitoring is caused by (Tuanakotta, 2010).

a. Management Dominated by one person or a small group, with no controls to compensate.

b. Oversight by an independent audit committee over the financial reporting process and internal controls is not effective

According to (Skousen, Smith and Wright, 2009) Ineffective Monitoring can be measured by the Ratio of Independent Commissioners (BDOUT) by comparing the number of independent commissioners with the total number of commissioners. Financial Services Authority Regulation Number 33/POJK.04/2014, one of which states that the number of independent commissioners must have a percentage of 30%. Due to the large amount of supervision from the independent board of commissioners, it is hoped that the company will run effectively and avoid fraud (Stefanus, 2019).

Supervisory ineffectiveness is proportional to BDOUT (*The Percentage Of Board Members Who Are Outside Members*) namely the ratio of the number of independent commissioners to the total number of commissioners. Measuring Supervisory Ineffectiveness in this study uses the formula:

$$\text{BDOUT} = \frac{Total\ Independent\ Boards}{Total\ Boards}$$

Source: (Ancient, 2021)

Fraudulent Financial Statements

Fraudulent Financial Statements involves an attempt to overstate income, whether by overstating assets and income or by writing off liabilities and expenses, the company also deliberately understates profits (Betri, 2020).

Financial statements that are misstated intentionally or carelessly, so that they are misleading, inaccurate, and inconsistent with GAAP (Generally Acceptable Accounting Principles), constitute fraud on investors. The most common type of financial statement fraud involves overstatement of opinion and earnings, as well as understating costs, which can inflate a company's ability to generate profits (Wind, 2014).

Earnings management is a strategy in accounting that is useful for knowing the state of the company and the company's Performance. Earnings management is closely related to the level of earnings or the business performance of an organization because the level of profit or profit earned is often associated with management performance, therefore it is not surprising that managers often try to show their achievements with the profits achieved (Priantara, 2013).

Several cases of financial statement fraud that occurred were motivated by earnings management practices. Earnings Management is used to report Fraud measurement. Researchers use the accrual model, namely the accrual section which is a manipulation of accounting data called abnormal accruals ordiscretionary accruals. Accrual accounting weaknesses create opportunities for managers to implement earnings management strategies anddiscretionary accruals (accounting estimating policy). Measurement of Financial Statement Fraud using the formula:

$$Manajemen\ Laba = \frac{Akrual\ Modal\ Kerja\ (t)}{\text{Penjualan Periode (t)}}$$

Source: (Permatasari, 2017)

Information:

Δ AL = Change in Current Assets in Period t

Δ HL = Change in Current Liabilities in Period t

Δ Cash = Change in Cash and Cash Equivalents in Period t

Hypothesis

Based on the framework, the research hypothesis is proposed as an answer to the formulation of the research problem as follows: H_1: Financial Stability Affects Fraudulent Financial Statements. H_2: External Pressure Affects Fraudulent Financial Statements.

H_3: Financial Targets Affect Fraudulent Financial Statements.

H_4: Ineffective Monitoring Affect Fraudulent Financial Statements

2. METHODOLOGY

The type of research used by the author in this study is associative research. The data used in this study are secondary data. Secondary data is data obtained through collecting information from existing sources, such as company financial report data at www.idx.co.id, journals, articles, and previous studies. Location of this research carried out in 33 Food and Beverage Companies listed on the Indonesia Stock Exchange in 2017-2021. The dependent variable in this research is Fraudulent Financial Statements (Y), while the independent variable is Financial Stability *(*x1), External Pressure(X2), Financial Target (X3), Ineffective Monitoring (X4).The population used in this research is 33 companies Food and Beverages listed on the Indonesia Stock Exchange in 20172021. In this study, the sampling technique used is purposive sampling method. Namely the technique of determining the sample with certain considerations or criteria (Sugiyono, 2016) in order to obtain a research sample of 12 Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. Method of collecting datain this study using the document analysis method, namely analyzing the contents of research supporting documents such as annual financial report documents in www.idx.co.id.

The data analysis method used in this study is quantitative data analysis. The analytical technique used to find out fraudulent financial statements in Food and Beverage companies is multiple linear regression analysis. Data analysis techniques in this study were assisted by *statistical program for special science* (SPSS). Before conducting the analysis, the following tests must be carried out:

Classic assumption test

According to (Wiratna, 2018) the classic assumption test consists of:

a. Normality test

The normality test aims to measure whether the data is normally distributed. In this study, to detect the normality of the data, it was carried out through statistical analysis using a test *kolmologorv smirnov (*K-S).

b. Multicollinearity Test

The multicollinearity test aims to determine whether or not there is a high correlation between independent variables in a multiple smooth regression model. To test multicollinearity can be seen from *Tolerance Value* or *Variance Inflantion Factor* (VIF). if the tolerance value> 0.10 and the VIF value <10.0 then there is no multicollinearity in the regression model.

c. Heteroscedasticity Test

Heteroscedasticity test aims to test the difference in residual variance from one observation period to another. How to predict whether there is heteroscedasticity in a model can be seen with the scatterplot image pattern, regression which cannot occur heteroscedasticity, if:

1) The data points spread above and below / around the number 0.
2) Data points do not collect only above or below.
3) The spread of data points is not can form a wavy pattern that widens then narrows and widens return.
4) Spread of dots and non-patterned.

d. Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between the previous variables. To detect autocorrelation by carrying out the Durbin Watson Test (DW test), i.e. If d lies between dU and (4-dU) then there is no autocorrelation.

Hypothesis testing

a. **Multiple Linear Regression Analysis**

Multiple linear regression analysis is a linear relationship between two or more dependent variables (X_1, X_2, X_3, X_4) With the dependent variable (Y) (Sugiyono, 2016) This analysis used to find out the relationship between the independent variables and the dependent variable whether each variable positively or negatively related. b. **Partial Test (t test)**

The t test is a test that shows how much great influence independent variable(X_1, X_2, X_3, X_4) on the dependent variable individually.

3. RESULT AND DISCUSSION

Classic assumption test

a. Normality Test Results

The normality test aims to find out whether the data is used normally distributed, so it can be used in statistics.In this study to detect data normality using non-parametric statistics with Kolmogorov-Smirnov (K-S). Based on the results of the normality test, it is known that the significance value is 0.200 > 0.05, so the residual values are normally distributed. As shown in the table below:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		36
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.17937650
Most Extreme Differences	Absolute	.098
	Positive	.066
	Negative	-.098
Test Statistic		.098
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: SPSS Output Results version 25, 2022

b. Multicollinearity Test Results

Test results multicollinearity can be seen from the table as follows:

Table 2. Multicollinearity test results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Say.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.120	.198		.606	.549		
	financial stability	.106	.363	.056	.292	.772	.852	1.173
	external pressure	-.157	.286	-.116	-.550	.587	.710	1.409
	financial targets	-.047	.835	-.014	-.056	.956	.537	1.863
	supervisory ineffectiveness	-.129	.588	-.048	-.219	.828	.659	1.517
a. Dependent Variable: fraudulent financial statements								

Source: SPSS Output Results version 25, 2022

Based on the table above, the tolerance value for the variable Financial Stability is 0.852, External Pressure is 0.710, Financial Targets is 0.537 and Supervisory Ineffectiveness is 0.659 which means the value is > 0.10. Variable VIF value Financial Stability of 1.173, External Pressure of 1.409, Financial Target of 1.863 and Supervisory Ineffectiveness of 1.517 which mean<10.00, then these variables do not show symptoms of multicollinearity.

c. Heteroscedasticity Test

Heteroscedasticity test results can seen in picture 1 below:

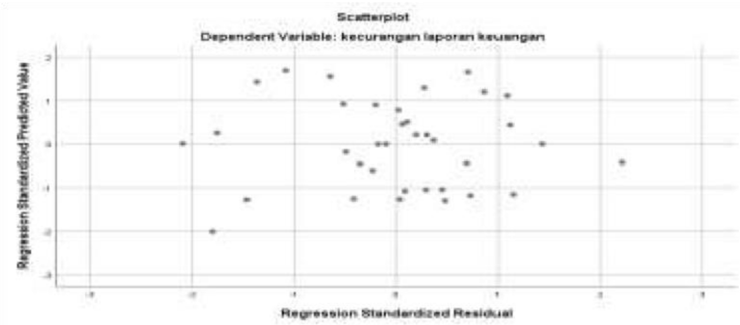

Figure 1. Heteroscedasticity Test Results

Source: SPSS Output Results version 25, 2022

Based on the picture above, it shows that the points spread randomly and do not form a clear pattern and are spread both above and below zero on the Y axis. This means that there is no heteroscedasticity.

d. Autocorrelation Test

The results of the autocorrelation test in this study are shown in table 3 below:

Table 3. Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.126[a]	.016	-.111	.19060	1.734
a. Predictors: (Constant), supervisor ineffectiveness, external pressure, financial stability, financial targets					
b. Dependent Variable: fraudulent financial statements					

Source: SPSS Output Results version 25, 2022

Based on the table above it is known that DW 1.734 then this value will be compared with the table value Durbin Watson where the number of samples n = 36 and the number of variables K = 4 then the value is obtained Durbin Watson of 1.734 > from the upper limit (DU) which is 1.7277 and less than (4-DU) namely 4-1.7277 = 2.723 then as a basis for decision making from the test Durbin Watson that there are no problems or symptoms of autocorrelation.

Hypothesis testing

a. Multiple Linear Regression Analysis

This analysis is to determine the relationship between variables Financial Stability, External Pressure, Financial Targets, Ineffective Monitoring on Fraudulent Financial Statements. Results regression analysis double linear seen in the following table 4:

Table 4. Multiple Linear Regression Calculation Results

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Say.
	B	Std. Error	Beta		
1(Constant)	.439	.293		1.499	.146
financial stability	.001	.037	.007	.036	.971
external pressure	-.425	.312	-.411	-1.364	.185
financial targets	.661	.317	.572	2.082	.048
supervisory ineffectiveness	-.982	.811	-.283	-1.211	.237
a. Dependent Variable: fraudulent financial statements					

Source: SPSS Output Results version 25, 2022

Multiple linear regression test results on variables Financial Stability, External Pressure, Financial Targets, Ineffective Monitoring on Fraudulent Financial Statements, can be formulated regression equation as following:

Y = a + b1X1 + b2X2 + b3X3 + b4X4 + e

$Y = 0.439 + 0.001X_1 - 0.425\ X_2 + 0{,}661X_3 – 0{,}982\ X_4 + e$

1) Constant value of 0.439. this shows that if the variable variable Financial Stability, External Pressure, Financial Target, Ineffective Monitoring constant or 0, then the variable Fraudulent Financial Statements will increase by 0.439

2) Regression coefficient value Financial Stability of 0.001, meaning if Financial Stability up by 1 %, Fraudulent Financial Statements will increase by 0.001 assuming other variables are constant or fixed

3) Regression coefficient value External Pressure equal to - 0.425, meaning if External Pressure down by 1%, Fraudulent Financial Statements will decrease equal to - 0.425 assuming other variables are constant or fixed

4) Regression coefficient value Financial Targets of 0.661, meaning if Financial Targets up by 1 %, Fraudulent Financial Statements will increase of 0.661 assuming other variables are constant or fixed

5) Regression coefficient value Ineffective Monitoring of – 0.982, meaning if Ineffective Monitoring down by 1%, Fraudulent Financial Statements will increase of -0.982 assuming other variables are constant or fixed

b. Partial Test (t test)

The t test was conducted to determine whether there is a variable effect Financial Stability(x1), External Pressure(X2), Financial Target (X3), Ineffective Monitoring (X4) partially to the variable Fraudulent Financial Statements (Y). The results of hypothesis testing individually orPartial can be seen through table 5 below:

Table 5. Partial Test Results (t test)

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Say.
	B	Std. Error	Beta		
1(Constant)	.439	.293		1.499	.146
financial stability	.001	.037	.007	.036	.971
external pressure	-.425	.312	-.411	-1.364	.185
financial targets	.661	.317	.572	2.082	.048
supervisory ineffectiveness	-.982	.811	-.283	-1.211	.237
a. Dependent Variable: fraudulent financial statements					

Source: SPSS Output Results version 25, 2022

Fraud of Financial Reports in Food and Beverage Companies

1) Effect of Financial Stability*(*X1) against Fraudulent Financial Statements (Y)

The results of the hypothesis show that variable Financial Stability*(*X1) t value$_{count}$ of 0.036, mean whilet$_{table}$ with significant level (α) 5% or 0.05 and(df) = n-k-1 is (60-4-1) = 55 is1,673 means t_{count} smaller t_{table}i.e. 0.036 <1,673 and significant 0.971 > 0.05, it can be concluded that Ho is accepted and Ha is rejected, meaning Financial Stability has no effect and is not significant to Financial Statement Fraud

2) Effect of External Pressure (X2) on Fraudulent Financial Statements (Y)

The results of the hypothesis show that the External Pressure variable (X2) has a value of t_{count} as big-1.364 where as t_{table} with significant level (α) 5% or 0.05 and (df) = n-k-1 is (60-4-1) = 55 is 1,673 means t_{count} smaller t_{table} that is-1.364 < 1,673 and significant 0.185 > 0.05, it can be concluded that Ho is accepted and Ha is rejected, meaning that external pressure has no effect and is not significant on fraudulent financial statements.

3) Effect of Financial Targets (X3) on Fraudulent Financial Statements (Y)

The results of the hypothesis show that the Financial Target variable (X3) has a t_{count} as big 2,082 where as t_{table} with significant level (α) 5% or 0.05 and (df) = n-k-1 is (60-4-1) = 55 is 1,673 means t_{count} bigger t_{table} that is 2,082 > 1,673 and significant 0.048 <0.05, it can be concluded that Ho is rejected and Ha is accepted, meaning the Financial Target has effect and is significant on fraudulent financial statements.

4) Effect of Ineffective Monitoring (X4) on Fraudulent Financial Statements (Y)

The results of the hypothesis show that the Ineffective Monitoring variable (X4) has a t_{count} as big-1.211 where as t_{table} with significant level (α) 5% or 0.05 and(df) = n-k-1 is (60-4-1) = 55 is1,673 means t_{count} smaller t_{table} that is-1.211 < 1,673 and significant 0.237 > 0.05, it can be concluded that Ho is accepted and Ha is rejected, meaning Ineffective Monitoring has no effect and is not significant to fraudulent financial statements.

DISCUSSION

Effect of Financial Stability on Fraudulent Financial Statements

Based on the results of hypothesis testing shows that H_0 accepted H_a rejected, which means the variable Financial Stability which is proxied by ECHENGE has no significant effect on fraudulent financial statements at Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021.This shows that any change in total assets owned by the company does not affect management to commit Fraudulent Financial Statements, because companies with large assets tend not to exercise financial stability in an effort to attract investors to invest in the company. Asset change high or too low because management cannot manage assets properly (Septriani and Handayani, 2018) However, unstable financial conditions are not a pressure for management to manipulate the company's financial statements because this is likely to worsen the company's financial condition going forward (Mintara and Hapsari, 2021)

Based on the results of this study, financial stability has no effect on Fraudulent Financial Statements because the increase in total assets owned by the majority of food and beverage companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021 is only slight or the increase is not significant so it does not affect the potential for fraudulent financial statements.

Financial Stability shows a company's financial condition is in a stable condition, to be able to know the stability of the company's financial condition can be seen from its assets. The higher the company's total assets, the more wealth the company has. With the condition of financial stability, the company continues to increase every year. It will gain the trust of the public, government, creditors, and shareholders to invest their funds in the hope of obtaining a higher rate of return. big.

The results of this study are in line with research conducted by (Ijudien, 2018), (Prayoga and Sudarmaji, 2019), (Ajeng *et al.*, 2020), (Mintara and Hapsari, 2021) stated that *financial stability* does not have a significant effect on fraudulent financial statements. Where as (Purnama and Astika, 2022) States that *financial stability* effect on fraudulent financial statements.

Effect of External Pressure on Fraudulent Financial Statements

Based on the partial results of hypothesis testing, it shows that Ho is accepted and Ha is rejected, meaning that External Pressure has no significant effect on fraudulent financial statements in Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021. This suggests that the companies used as samples in this study have the ability to pay debts and other sources of financing obtained from external parties, so that the value of the total debt ratio (LEVERAGE) obtained does not become a pressure for the company's management and does not influence the company's management to commit fraudulent financial statements.

In addition, many companies choose to issue shares again to obtain additional business capital from investors, without having to enter into a new debt agreement which can lead to a greater debt burden and lower company financial leverage.

Fraud of Financial Reports in Food and Beverage Companies

This is proven based on research data on Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021 which shows that the average total debt ratio shows a value of 0.354333 or 35%, meaning that the company is able to manage the funds obtained from this debt to produce assets for company. Based on the results discretionary accruals shows a low average value, meaning that even though there is pressure from external parties as principals who demand that the company must obtain additional business capital from third parties, the company is able to manage these funds and not commit fraudulent financial statements.

Fraud financial reports occur due to pressure that is often experienced by company management, namely the need to obtain additional debt or external sources of financing, research financing and development expenditures or capital to remain competitive (Skousen, Smith and Wright, 2009). When pressure is excessive from external parties, risks can occur Indonesia Stock Exchange (IDX)

The results of this study are in line with (Apriliana and Agustina, 2017), (Septriani and Handayani, 2018),(Purnama and Astika, 2022) states that external pressure has no effect on fraudulent financial statements. Mean while according to (Skousen, Smith and Wright, 2009), (Sihombing and Rahardjo, 2014)States that external pressure effect on fraudulent financial statements.

Effect of Financial Targets on Fraudulent Financial Statements.

Based on the partial results of hypothesis testing, it shows that Ho is rejected and Ha is accepted, meaning the Financial Target influential and significant to fraudulent financial statements.in Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021. ROA is a ratio that proves the size of the return generated on the use of company assets, besides that ROA is also used to assess the performance of managers in determining bonuses, wage increases and others. If a low ROA value indicates lower profits generated so that the company's performance will be assessed as poor, this can lead to fraudulent financial reporting.

Likewise, with a high ROA value in the previous year, the possibility for companies to manipulate financial reports is even greater. This condition sometimes triggers managers to take various ways so that the specified targets can be achieved, one of which is by committing fraudulent financial statements.

The phenomenon that occurs in MYOR companies in 2021, where the Financial Target has increased very significantly compared to the previous year. This can influence management to commit financial statement fraud.

Financial Targets is excessive pressure on management to achieve financial targets set by the board of directors or management within a certain timeframe. (Puspitadewi and Sormin, 2018) stated that the main benchmark in financial targets is an increase in the amount of profit earned by the company, because achieving profit can be used to measure company performance and value.

The results of this study are in line with research conducted by (Herdiana and Sari, 2018), (Ayuningrum, Murni and Astuti, 2021), (Paramitha, Frederica and Iskandar, 2022), stating that *financial targets* effect on fraudulent financial statements. While according to (Annisya, Lindrianasari and Asmaranti, 2016),(Saputra and Kesumaningrum, 2017), (Diansari and Wijaya, 2018) state *financial targets* has no effect on fraudulent financial statements.

Effect of Ineffective Monitoring On Fraudulent Financial Statements

Based on the partial results of hypothesis testing, it shows that H_0 accepted H_a rejected, which means Ineffective Monitoring has no effect and is not significant on fraudulent financial statements of Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021.This happens because the existence of a company's independent board of commissioners is only a regulatory requirement to comply with OJK regulations and not to suppress the possibility of their existence fraudulent financial statements, but in practice they may be influenced and get intervention from the company.

The results of this study are strengthened by research conducted (Yesiariani and Rahayu, 2017) explained that the existence of an independent commissioner provides little guarantee that company supervision will be more independent and objective and away from the intervention of certain parties. However, the Ineffective Monitoring cannot be fully measured from the number of independent commissioners because the company must have an internal control design that is able to cover opportunities for actions to occur.fraudulent financial statement.

Ineffective Monitoring is a weak oversight of the company, so that it is used as an opportunity by managers to act fraudulently and misbehave.

Based on the average value obtained by the sample companies, it shows an average ratio of independent commissioners of 0.33 which proves that the average company complies with OJK regulations No.57/PJOK.04/2017, namely that the board of independent commissioners in a company is at least 30% of the total number of commissioners. So that with these conditions the size of the supervisory unit can be indicated as limited to complying with regulations and has not yet become a company urgency because Ineffective Monitoring does not necessarily lead to the risk of fraudulent financial statements.

Fraud of Financial Reports in Food and Beverage Companies

The results of this study are in line with (Listyaningrum, Paramita and Oemar, 2017), (Thalia and Meiden, 2021), (Sabaruddin, 2022), (Paramitha, Frederica and Iskandar, 2022) stating that innefective monitoring has no effect on fraudulent financial statements. Meanwhile, according to (Aprilia and A, 2017), (Septriani and Handayani, 2018) States that ineffective monitoring effect on fraudulent financial statements.

4. CONCLUSIONS

Based on the results of the research and discussion described above, it can be concluded that,partially variable Financial Stability, External Pressure and ineffective monitoring no effect and is not significant to fraudulent financial statements (Y). But variable Financial Targets significant effect on fraudulent financial statements in the company Food and Beverages listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021.

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