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ACCOUNTING IRREGULARITIES LEVEL DETECTION WITH DIAMOND THEORY FRAUD IN FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX

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ACCOUNTING IRREGULARITIES LEVEL DETECTION WITH DIAMOND THEORY FRAUD IN FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX

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Abstract

This study was aimed to detect the level of accounting irregularities using fraud diamond theory. This study used accounting irregularities as the dependent variable. The independent variables in this study were pressure, opportunity, rationalization, and capability. The sample in this study was 10 companies from food and beverage companies that listed on the Indonesia Stock Exchange during the period 2010 to 2017 and was conducted by purposive sampling method. The statistical method used was multiple linear regression, with F-test and t-test hypothesis testing. The results showed that the variables of pressure, opportunity, rationalization, and capability influence both simultaneously and partially on accounting irregularities.

Keywords: *accounting irregularities, fraud diamond theory.*

Introduction

The rapid development of economic conditions has made competition in the business world even tighter. With this competition, many companies are trying to maintain their companies in various ways to attract investors to provide loan funds. Investors will be interested in investing their funds if a company has a benchmark that can be seen in the annual financial statements of a company. The purpose of the financial statements is to provide information on the financial position, financial performance and cash flow statement of a company that can be useful for making decisions both for internal parties and external parties (Rudianto, 2012:20).

A good financial report will have several elements in it that are easy to understand, relevant, materiality, reliability, substance outperforms, healthy considerations, completeness, comparability, timely, and balance between costs and benefits (Rudiato, 2012:21-22). So it is clear that a healthy report will not have an element of fraud in it. But in reality many financial reports that have not reflected the information presented are in accordance with the reality, many companies have committed accounting irregularities in the preparation of their financial statements in order to attract investors. According to Jaswadi (2012) states that: "At one end of the spectrum, accounting irregularities are misstatements caused by unintentional mistakes or errors. At the other end of the spectrum, accounting irregularities are known as fraud, involving those charged with governance".

From the above definition shows that accounting irregularities have several factors, one of which is fraud which is carried out by the company. Fraud is what almost every individual has done in his daily life. Fraud is considered as a chain of trust destroyers not only between individuals but also between management and investors and damages the value of accounting activities. Accounting irregularities are carried out wherever one of them is a Toshiba Corporation company that was systematically involved in a scandal inflating the company's profits of US \$ 1.2 billion over several years and this was done by the CEO of the company itself in order to attract investors but an internal accounting team the company cannot do anything because of the work culture in the company that requires the boss's decision to take precedence (Kompas.com, 07/21/2015, 16:13).

From the above case shows accounting irregularities usually occur in companies that go public compared to companies that have not gone public on the IDX.

According to Albercht et al., (2011):

"Fraud is a generic term, and embraces all the multivarious means that human rights can devise, which are resorted to by one individual, to get an advantage over another by false representation. No definite and invariable rule can

be laid down as a general proposition in defining fraud, as it includes surprise, trickery, cunning and unfair ways by which another is cheated. The only boundaries defining those which limit human knavery”.

In general, fraud will often occur if there is no early prevention and detection. There are several ways and perspectives in detecting fraud, one of the fraud detectors is the perspective of a four-dimensional fraud. In the research Sihombing (2014) stated that diamond fraud is a new view and concept about the phenomenon of fraud proposed by Wolfe and Hermanson (2004). Diamond fraud theory is a form of refinement of the fraud triangle theory proposed by Cressey (1953). If in the fraud triangle there are three elements, then in diamond fraud plus a significant element to influence someone to commit fraud, namely ability or capability.

So in this study applying fraud diamond theory, which explains that there are four elements of someone doing fraud, including Pressure, opportunity, Rationalization and Capability. This study used ten independent variable proxy variables, namely financial stability (CHANGE), external pressure (leverage), personal financial need (OSHIP), financial targets (ROA), nature of industry (INV), ineffective monitoring, special party transactions, total assets accruals, KAP changes, change of directors, and the dependent variable is proxied by accounting irregularities.

Research Methods

Population is the sum of the entire group of individuals, the events that attract the attention of the researcher to be investigated or investigated (Sekaran, 2006). The population used in this study are food and beverage companies listed on the Indonesia Stock Exchange (IDX). The population in this study were all food and beverage companies listed on the Indonesia Stock Exchange in 2010 to 2017. The sample used in this study are companies with food and beverage groups listed on the Indonesia Stock Exchange during the period 2010 to 2017 with certain criteria. The sampling method that will be used is purposive sampling method based on the following criteria:

1. The company that presents its annual report on the company's website or BEI website, www.idx.co.id for the period 2010-2017.
2. Companies that do not experience bankruptcy and are delisted from IDX in the period 2012-2017.
3. The company's annual report has complete data relating to research variables and financial reports which are presented in the form of rupiah. Based on the above criteria, the number of samples used in this study are 10 companies so the sample used is 80 financial statements.

Accounting Irregularities (Y)

In this variable according to Friedlan (1994) suggests that to measure accounting irregularities variables proxied using earnings management can be measured by the following formula:

$$DAC_t = \frac{TAC_t}{SALE_t} - \frac{TAC_{t-1}}{SALE_{t-1}}$$

Fraud Diamond Pressure (X1)

1. Financial Stability

In this study, financial stability was proxied by the ratio of changes in total assets (ACHANGE). Which is calculated by the formula: (Skousen, 2009)

$$ACHANGE = \frac{(Total Asset_t - Total Asset_{t-1})}{Total Asset_t}$$

2. External Pressure

External pressure in this study is proxied by leverage ratio (LEV). The leverage ratio is calculated using the Debt to Assets Ratio (DAR) formula. (Salman, 2005)

$$Debt\ to\ Asset\ Ratio = \frac{Total\ Debt}{Total\ Asset}$$

3. Financial Target

In this study, the financial target is proxied by the asset return ratio (ROA). Return on Assets (ROA) can be calculated by the formula: (Salman, 2005)

$$Return\ on\ Asset = \frac{Net\ Income}{Total\ Asset}$$

4. Personal Financial Need

In this study, personal financial needs are proxied by OSHIP which can be calculated by:

$$\text{OSHIP} = \frac{\text{Total Kepemilikan saham Orang Dalam}}{\text{Total Saham Beredar}}$$

Opportunity (X2)

1. Nature of industry

¹ In this study, the nature of industry is proxied by the ratio of total inventory that can be calculated by the formula:

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

2. Ineffective Monitoring

In this study, ineffective monitoring is proxied by the ratio of the number independent board of directors (BDOUT). According to Skousen et al (2009) BDOUT can be calculated by the formula:

$$\text{BDOUT} = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}}$$

3. Special Party Transactions

According to Priantara (2013) special party transactions can be calculated by the formula:

$$\text{TPI} = \frac{\text{Total Receivables from Special Parties}}{\text{Total Receivables}}$$

Rationalization (X3)

1. Total Accrual Assets

Dalam penelitian ini total asset akrual diukur dengan rumus:

$$\text{TAA} = \frac{\text{Total Akrual (Laba - Arus Kas)}}{\text{Total Aset}}$$

2. Substitution of KAP

In this study the turnover is measured using a dummy variable, that is, if the company receives an unqualified opinion, it is given a value of 1 and if the company receives another opinion other than an unqualified opinion, it is valued at 0.

Capability (X4)

⁶ Capability is the amount of power and capacity that a person does to commit fraud in the company environment. Capability as one of the fraud risk factors underlying the occurrence of fraud. According to Wolfe and Hermanson (2004) Capability can be measured by the change of directors so that in the measurement using dummy variables. If there is a change in the company or changes in the board of directors, it is given a rating of 1 and vice versa if there is no change, it is given a rating of 0.

Research Results And Discussion

Statistical Test F

Statistical Test F shows whether all independent or independent variables included in the model have a joint influence on the dependent variable.

9 NOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.740	10	.074	8.593	.000 ^b
Residual	.517	60	.009		
Total	1.257	70			

a. Dependent Variable: Accounting Irregularities

b. Predictors: (Constant), Kapabilitas, OSHIP, Pergantian KAP, INV, BDOUT, DAR, ACHANGE, ROA, Transaksi Pihak Istimewa, Total Aset Akrua

Based on table shows that the F test value is 8.593 with a probability of 0.000. Based on the probability value is less than 0.05, it means that the independent variables consisting of ACHANGE, DAR, ROA, OSHIP, INV, BDOUT, Special Party Transactions, Total Accrual Assets, Substitution of KAP, Capability together influence the Accounting Irregularities.

Test Statistics t

The statistical test t basically shows how far the influence of an explanatory / independent variable individually in explaining the variation of the dependent variable.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.039	.187		.210	.834		
ACHANGE	-.062	.020	-.285	-3.104	.003	.815	1.226
DAR	-.049	.051	-.144	-.957	.343	.301	3.323
ROA	-.004	.019	-.022	-.214	.831	.657	1.523
OSHIP	-.037	.043	-.081	-.867	.389	.775	1.290
INV	-.461	.104	-.416	-4.412	.000	.770	1.299
BDOUT	-.201	.196	-.106	-1.025	.309	.639	1.565
Transaksi Pihak Istimewa	.066	.055	.152	1.206	.232	.434	2.307
Total Aset Akrua	.521	.114	.668	4.572	.000	.321	3.113
Pergantian KAP	.020	.035	.049	.559	.578	.898	1.113
Kapabilitas	-.029	.025	-.100	-1.150	.255	.902	1.109

a. Dependent Variable: Accounting Irregularities

Sumber: Data Sekunder yang diolah SPSS, 2018

Persamaan regresi model 1 dapat ditulis sebagai berikut :

1. The results of the statistical test t show that ACHANGE is the sig value. 0.003 so that it has an influence on Accounting Irregularities.
2. The results of the statistics t show that DAR is the sig value. 0.343 so that it does not have an influence on Accounting Irregularities
3. The results of the statistics t show that ROA is the sig value. 0,831 so that it has no influence on Accounting Irregularities
4. The results of the statistics t show that OSHIP has a sig value. 0.389 so that it has no influence on Accounting Irregularities
5. The results of the statistics t show that INV has a value of 0.00 so that it has an influence on Accounting Irregularities
6. The results of the statistics t show that BDOUT with the sig value. 0.309 so that it does not have an influence on Accounting Irregularities
7. The results of the statistics t show that the Special Party Transaction with the sig value. 0,232 so that it has no influence on Accounting Irregularities
8. The results of the statistics t show that the Total Accrual Assets with sig values. 0,000 so that it has an influence on Accounting Irregularities
9. The results of the statistics t show that the change in KAP with the sig value. 0,578 so that it has no influence on Accounting Irregularities.
10. The results of the statistics t show that the capability with the sig value. 0.255 so that it has no influence on Accounting Irregularities.

Conclusions and Recommendations

1

Based on the results of the Multiple Linear Regression analysis, it can be concluded as follows:

1. The results of the F statistical test show that ACHANGE, DAR, ROA, OSHIP, INV, BDOUT, Special Party Transactions, Total Accrual Assets, KAP Substitution, Capability affect simultaneously on Accounting Irregularities.
2. The results of the statistical test t show that ACHANGE affects Accounting Irregularities.
3. The results of the statistics t show that DAR does not affect Accounting Irregularities.
4. The results of the statistics show that ROA does not affect Accounting Irregularities.
5. The results of the statistics t show that OSHIP does not affect Accounting Irregularities.
6. The results of the statistics t show that INV affects Accounting Irregularities.
7. The results of the statistics t show that BDOUT does not affect Accounting Irregularities.
8. Results from statistics show that the Special Party Transaction does not affect Accounting Irregularities.
9. The results of the statistics t show that the Total Accrual Assets affect Accounting Irregularities.
10. The results of the statistics t show that the change in accounting firm does not affect accounting irregularities.
11. The results of the statistics t show that Capability does not affect Accounting Irregularities.

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