ABSTRACT

Fraudulent financial statement is a scheme used by fraudsters to intentionally cause misstatements or hide important information in an organization's financial reports. Examples include recording fake revenue, understating expenses, and inflating reported assets. There are two types of financial statement manipulation: overstating profits (net worth/net income overstatements) and understating profits (net worth/net income understatements).

This study aims to find out how the independent variables—cash flow shenanigans, money laundering, and political connections—affect the detection of financial statement manipulation, both together and individually. The sample used in this study is energy sector companies listed on the Indonesia Stock Exchange (IDX) during 2019-2023.

The study used purposive sampling and collected 31 data samples. The data was analyzed using panel data regression with the help of the EViews 12 application.

The results show that cash flow shenanigans, money laundering, and political connections together have a significant effect on detecting financial statement manipulation. However, when tested separately, cash flow shenanigans and money laundering both have a significant negative effect on detection, while political connections do not have a significant effect.

The study suggests that future researchers should expand the research by adding control variables and repeating the study in other sectors or different time periods to test the consistency of the results. Practically, the government should improve anti-money laundering policies and increase cash flow transparency. Companies need to strengthen their internal controls and governance to better detect and prevent financial manipulation. Investors are advised to analyze cash flow patterns carefully and not rely only on the surface of financial reports to spot hidden manipulation risks.

Keywords: cash flow shenanigans, money laundering, political connections, fraudulent financial statement.