

Analysis of the Z-Score Approach in Detecting Potential Financial Statement Fraud

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Abstract. This study aims to determine internal and external factors that have the potential to influence financial statement manipulation by using the fraud triangle and Z-Score theoretical approaches. The data source for this research is the financial reports of Islamic and conventional banks in Indonesia for 2010-2022 as measured by financial ratios such as ROA, ROE, Change In Receivable, Change In Inventory and Accrual. The aggregate Z-Score value proves that financial stability (ACCRUAL), inventory (CHANGE IN INVENTORIS), and receivables (CHANGE IN RECEIVABLE) have a positive and significant effect in predicting potential manipulation of financial statements. While External Pressure, ROA, ROE have a negative and significant effect in predicting fraudulent manipulation of financial statements. Furthermore, the results of this study can provide solutions for interested parties about the description of the bank that is used as the object of research and provide the best solution to avoid actions that have the potential to violate ethical principles.

Keywords: fraud triangle, z-score, financial ratios, bank financial reports