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Analysis Using Beneish M-Score Model to Detect Financial Statement Fraud on Mining Companies Listed in IDX

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Abstract. Nowadays, economic developments are growing rapidly and often fluctuate. By 2015, the Indonesian economy in the mining sector has declined. The decline is due to a decrease in China's demand on mining materials which ultimately has a negative impact on the domestic mining sector. Such circumstances can lead to fraudulent acts of financial statements to make window dressing. This study aims to determine how much percentage of companies indicated to commiting financial statements fraud based on Beneish M-Score Model.

Beneish M-Score Model uses eight financial ratios to detect financial statement fraud. If the Beneish M-Score result shows a larger number of -2.22, then the company is indicated to commit fraudulent financial statements (manipulator), whereas if the result shows a number smaller than or equal to -2.22, then the company is indicated not to commit fraudulent financial statements (nonmanipulator).

This research was conducted by using analytical descriptive method. The sample selection was done by purposive sampling technique with samples of twenty mining companies listed on IDX during 2015-2017. The data are collected from financial statement published on the IDX website. After the ratio calculation, then the result is entered into the Beneish M-Score formula. Then, the Beneish M-Score is analyzed for further interpretation.

This study indicates that no company is indicated to commit fraudulent financial statements in the period of 2015-2017 respectively. By 2015, 40% of companies are indicated as manipulators. In 2016, the company indicated as a manipulator of 60%, while in 2017 the percentage decreased to 30%. Based on the eight financial ratios used to calculate the Beneish M-Score, the ratio of Total Accruals to Total Assets (TATA) is the best ratio that describes the possibility of fraudulent financial statements performed by the manipulator company.

Keywords: fraudulent financial statements, Beneish M-Score Model, manipulator