

## ABSTRACT

The Effect of Internal Control Effectiveness, Suitability of Reward, Compliance to Accounting Rules, Information Asymmetry, and Management Morality toward Unethical Behavior, and Intention to Accounting Fraud: The Study in Public Companies, and State Owned Companies in Indonesia

**Background.** Accounting fraud is frequent, widespread and familiar in many countries and organizations. It inflicts a great loss to firms and investors. However, there is no research trying to explain factors comprehensively influencing it. The objectives of the research in this dissertation are to test and explain the effect of the internal control effectiveness, suitability of reward, compliance to accounting rules, information asymmetry, management morality toward unethical behavior and intention to accounting fraud. More particularly, the research attempts to get the causal relationship among variables involved. **Method.** Questionnaire was used to collect data. The analysis unit was the company. The research population was 477 companies consisting of public companies and state owned companies in Indonesia. The research samples were one hundred and fifty three companies. The research respondents were directors or managers responsible to prepare financial statements. Structural Equation Modeling was used to test the hypothesis. **Results.** The findings of the research showed that (1) internal control effectiveness significantly affects unethical behavior, (2) internal control effectiveness significantly affects intention to accounting fraud, (3) suitability of the reward does not affect unethical behavior, (4) suitability of the reward does not affect intention to accounting fraud, (5) compliance to accounting rules significantly affects unethical behavior, (6) compliance to accounting rules significantly affects intention to accounting fraud, (7) information asymmetry significantly affects unethical behavior, (8) information asymmetry significantly affects intention to accounting fraud, (9) management morality significantly affects unethical behavior, (10) management morality significantly affects intention to accounting fraud, (11) unethical behavior significantly affects intention to accounting fraud. **Conclusion.** Based on the findings in this study, it is suggested that management unethical behavior and intention to accounting fraud can be reduced by improving and stimulating internal control effectiveness, compliance to accounting rules and management morality, and omitting information asymmetry. This study found that suitability of reward cannot reduce management unethical behavior and intention to accounting fraud. The findings of the study provided an input to develop comprehensive research about good governance and corruption. It is also suggested to add more comprehensive research model by adding more variables (e.g. laws, politics, and social aspects) and to develop the research in government institution and non profit organization.

**Keywords:** intention to accounting fraud, unethical behavior, internal control effectiveness, suitability of reward, compliance to accounting rules, information asymmetry, and management morality.