The Effect of Fraud Detection Using MSCORE on Expected Returns in Indonesian Public Listed Companies

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STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no materials previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

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ABSTRACT

The Effect of Fraud Detection Using MSCORE on Expected Returns in Indonesia Public Listed Companies.

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Financial Statements Fraud has caused massive loss for nations. As the Economy grows in Indonesia, financial statement fraud has become a risk in many industries. The massive effects of Financial Statement Fraud has become new concern for accountant and auditor to find some ways detecting Financial Statement Fraud. Messod D. Beneish in his journal The Detection of Earnings Manipulation (1999) had come up with mathematical ratios that can be used to detect earning manipulation in financial statement called MSCORE.

Companies with a higher MSCORE are more likely to have red flags for manipulating. Firms that commit financial fraud will also earn lower future returns. A higher probability of manipulation MSCORE) earn lower returns. MSCORE has significant ability to predict returns through its ratio components.

This research has an objective to examine the companies that indicated as green flags or red flags will be affected their expected returns using CAR (Cumulative Abnormal Returns). This research focuses on manufacturing company, which is divided into 3 sectors. The result of this research was overall there is a significance relation between MSCORE and expected returns (CAR).

Keywords: Fraudulent Financial Statement, MSCORE,Beneish Ratios,Cumulative Abnirmal Returns, Expected Returns.

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DEDICATION

This thesis is dedicated to the people, who love and support me endlessly.

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