THE EFFECT OF EARNINGS MANIPULATION WITH USING M-SCORE ON STOCK RETURN

(Empirical Evidence in Indonesia Listed Companies on LQ45 at Indonesia Stock Exchange Period 2009-2011)

THESIS

Presented as Partial Fulfillment of the Requirements for the Degree of Sarjana Ekonomi (S1) in Accounting Program Faculty of Economics University of Atma Jaya Yogyakarta

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I fully acknowledge that my writing does not contain others' or part (s) of others' writing, except for those that have been cited and mentioned in the references.

Yogyakarta, June 5th, 2014

William Christianto

MOTTO

"I CAN DO ALL THINGS THROUGH CHRIST WHO STRENGTHENS ME"

(FILIPI 4: 13)

"DON'T LET BE BENT BY THE LIMIT YOU SET YOURSELF"

(LET'S BRIDGE, FOCOLARE)

THE FUTURE BELONGS TO THOSE WHO BELIEVE IN THE BEAUTY OF THEIR DREAMS.

(ELEANOR ROOSEVELT)

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Yogyakarta, June 5th, 2014

William Christianto

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ABSTRACT

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Abstract

Beneish M-score model is the detection tool to help to uncover companies who are likely to be manipulating their reported earnings. Companies with a higher M-score are more likely to be manipulators. This is a probabilistic model, so it will not detect manipulators with 100% accuracy. This research has an objective to prove earnings manipulation detection using Beneish M-score model has an impact to stock return in Indonesia listed companies on LQ45 at Indonesia Stock Exhange period 2009-2011.

Data used in the form of secondary data and were obtained using secondary archival data collection methods. Independent variable in this research is Earnings Manipulation which was detected using M-score Beneish Model, control variables are leverage and Book to Market Value, and dependent variable in this research is stock return that is represented by Cumulative Abnormal Return (CAR). Sample of the research used purposive sampling with goal to obtain criteria sample.

Through the data analysis, it is concluded that the hypothesis is accepted, it means earnings manipulation with using M-score has negative influence to stock return.

Keywords: Earnings manipulation, M-score Beneish Model, and Cumulative Abnormal Return (CAR)