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# The stock market reaction to fraudulent financial reporting

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[Managerial Auditing Journal](#)

ISSN: 0268-6902

Article publication date: 1 October 2002

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## Abstract

Explores the impact that recent fraudulent financial reporting has had on the capital markets. Attempts to examine the stock market reaction, both to return and risk, to fraudulent financial reporting that has occurred in major corporations during the decade 1990-1999. Finds that capital market impact is significant in dollar terms with strong negative announcement effects the day before and on the day of a news event. Concludes that auditor and regulator vigilance needs to be strongly maintained in monitoring firms' financial reporting.

## Keywords

- Financial reporting
- Fraud
- Capital markets

### Citation

[Cox, R.A.K.](#) and [Weirich, T.R.](#) (2002), "The stock market reaction to fraudulent financial reporting", [Managerial Auditing Journal](#), Vol. 17 No. 7, pp. 374-382.  
<https://doi.org/10.1108/02686900210437471>

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