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Detecting fraudulent financial reporting using financial ratio

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Abstract

Purpose

The main aim of this study is to analyse the financial ratio (i.e. financial leverage, profitability, asset composition, liquidity and capital turnover ratio) in detecting fraudulent financial reporting (FFR).

Design/methodology/approach

The logit model was used to identify firms that are related to FFR. The sample firms that engage in fraudulent reporting were obtained from the media centre of Bursa Malaysia. The firms were selected based on their contravention of the Listing Requirements of Bursa Malaysia Securities Berhad. The data cover a period of seven years from 2007 to 2013.

Findings

The results suggest that financial leverage, asset composition, profitability and capital turnover were significant predictors of FFR.

Practical implications

The findings of this study may assist investors in making decision for their investments.

Originality/value

This study describes firms that breach the Listing Requirements of Bursa Malaysia Securities Berhad using the



Acknowledgements

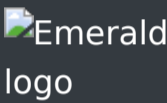
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