



The Effects of The Announcements of “Administrative Monetary Penalties” on Stock Prices: An Event Study

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Abstract :

Accounting manipulations has been defined as accounting practices aimed to influence accounting records in a way that leads to misinterpretation of financial position and/or activities. Managers generally want to create positive expectations about the company so that willingness to invest in the company's stocks and debt securities increases. Managers can instigate manipulations in financial statements and/or accounting frauds not only to positively influence investors' investment decisions but also for financial gain such as reducing tax. When the governance detects these types of frauds, the governance institutions can give the administrative monetary penalty to the firms who made financial frauds. This study examined whether the announcements of administrative monetary penalties given by Capital Markets Board of Turkey (CMBT) that effect the stock returns. For this purpose, the study focused on “administrative monetary penalty” issued dates and search the effects of these fraudulent financial reporting on abnormal returns or cumulative abnormal returns of the “Borsa Istanbul” some listed firms.

Keywords: *Fraudulent financial reporting, abnormal return, event study*

INTRODUCTION

In financial markets, investors require reliable information in their decision making process. Accordingly, both firms' financial instruments and institutions related with these firms (e.g. auditing firms, financial intermediary institutions) should share and present accurate information with the public. Regarding to this, the importance of auditing firms that inspecting publicly open firms has been increasing. Presentation of inaccurate information to the public may cause investors to make wrong investment decisions. Therefore, all institutions should comply with the principles and the rules. Mistakes in financial tables may be divided into two categories as intentional deliberate and unintentional non-deliberate. Unintentional errors are referred as mistake/error. On the other hand, manipulation, deception, corruption, and irregularity are some examples of intentional errors in financial statements that aim to provide some advantage to board of directors, some specific people in firms or some institutions. It is important to discover why and who make these errors either intentionally or unintentionally.



Generally mistakes occur due to incautiousness of personnel whereas financial manipulations and frauds are done to gain some benefits by managers. To understand of an action whether it is intentional or not is not easy. Hence examination of who benefit from an error may help auditors. An error in financial tables is regarded as intentional if (a) the person in charge of the error is aware of the error, and (b) he/she knows that the other side believes in that information and make a contract based on this information and may provide a report (Yıldız & Başkan, 2014). An accounting manipulation is defined as modifications on financial tables made to influence the profit in a business period (Demir & Bahar, 2007). Based on this definition an accounting manipulation consists of actions which are related with income statement or balance sheet and may affect profit reported in a business period.

Beasley (1996) limited the accounting fraud into (a) includes occurrences where management intentionally issues materially misleading financial statement information to outside users and (b) includes occurrences of misappropriations of assets by top management or board of directors. Top management includes the chairperson, vice chairperson, chief executive officer, president, chief financial officer and treasurer (Beasley, 1996). The relationship between board of director and occurrences of accounting fraud is important for the accounting profession, because accountants have a responsibility to identify situations where financial statement fraud has a greater likelihood of occurring. Some authors regard accounting frauds as different from accounting manipulations. Accounting frauds are made to gain profit or to cover inaccurate positions on financial tables. Regarding to this definition, it is not easy to separate fraud from manipulation. Accounting frauds are major and organized offences committed intentionally and with premeditation (Kandemir, 2010). Because of premeditation and well planning it is difficult to identify fraud. Accounting fraud occur when assets and liabilities of a firm is recorded intentionally in inaccurate accounts (Yıldız & Başkan, 2014).

Fraud has been discussed and examined from many different perspectives in varying contexts. Fraud is an objective phenomenon, that there is limited moral or ethical ambiguity about the nature and effects of fraud, and that such agreements are somewhat invariant across time and space. Fraudulent accounting must be discussed in accounting education. But there is no much interest on this subject, but the tangible impact of frauds arises from the accounting, finance, and IT side of the business enterprise (Pearson & Singleton 2008). According to Petrolisowky & Pittman (2013) accounting fraud is misleading, and disclosure violation instead of this term. Because, some dataset contained violations that run the gamut from failure to file appropriate and required financial statements that shows lack of proper internal controls to clear and willful misrepresentation of the financial health of the firm.



The other definition of accounting fraud is given by Anlin, Hai and Huihui (2009) that the results of trade-off between pursuits of the interests and minimum the regulatory expenses as well as the illegal manners of bucking for economic benefits.

Cox & Weirich (2002) defined the fraudulent financial reporting as a matter of grave social and economic concern, and fraudulent financial reporting is not important issue just for the accounting profession, it is also very important for the society in general. The damage of accounting fraud on economic development is catastrophic (Anlin, Hai and Huihui, 2009). Fraudulent financial reporting may cause vast losses to government income, as well as losses to the users of financial reports (Ahmad, Mohd-Nor, and Mohd-Saleh, 2008).

LITERATURE REVIEW

Uyar & Küçükkaplan (2011) examined effect of the public announcements of Capital Markets Board of Turkey (CMBT) because of the firms' accounting errors/mistakes and frauds in financial tables on stock returns for 2005-2010 period. The results of the study indicated that weekly announcements of accounting errors/fraud don't influence stock returns.

Cox & Weirich (2002) explored the impact of the recent fraudulent financial reporting on the American (NASDAQ and OTC) capital markets. They used the fraudulent financial reporting during 1990-1999 and they attempted to examine the stock market reaction of some on the return of some companies, and they found some significant impact with strong negative announcement effects the day before and on the day of a news event. They concluded that auditors and regulators need to be strongly maintained in monitoring firms' financial reporting.

Anlin, Hai and Huihui (2009) analyzed the behaviors of the accounting fraud and then constructed the optimal dynamic process for the effectiveness of accounting fraud and then they did location analysis for investigation efforts and punishment intensity of the accounting governance to offer optimal accounting fraud control.

Ahmad, Mohd-Nor, and Mohd-Saleh (2008) examined the relationship between fraudulent financial reporting and some firm' characteristics (size, types of ownership, types of auditor in companies). They use the political cost theory to explain fraudulent financial reporting in and found that company size and audit's quality have significant negative relationships with fraudulent financial reporting.

Michellehanlon and Maydew (2006) compared the executive equity incentives of firms accused of accounting fraud by the Securities and Exchange Commission (SEC) during the period 1996–2003 with two samples of firms not accused of fraud and they employ a battery of empirical tests. At the end of the tests, they found no consistent evidence that executive equity incentives are associated with fraud. They couldn't find



any significantly greater stock sales by executives at fraud firms compared to non-fraud firms. The empirical analysis revealed no consistent evidence to support the conclusion that the probability of accounting fraud is increasing in the sensitivity of executives' total equity or vested stock and stock option-based wealth to changes in stock prices.

Miller (2006) investigates the press's role as a monitor or "watchdog" for accounting fraud. He found that the press fulfills this role by rebroadcasting information from other information intermediaries (analysts, auditors, and lawsuits) and by undertaking original investigation and analysis. In addition to this, he also found that business-oriented press is more likely to undertake original analysis while nonbusiness periodicals focus primarily on rebroadcasting.

Petrolisowky and Pittman (2013) tried to resolve the firm's more or less tax aggressiveness by examining the association between aggressive tax reporting and the incidence of claimed accounting fraud. They found that tax aggressive U.S. public firms are less likely to commit accounting fraud, but their results were sensitive to how tax aggressiveness is measured.

Geretya and Lehn (1997) tested "why some firms commit accounting fraud". They used a sample of 62 firms charged with declared violations by the Securities and Exchange Commission (SEC) during 1981–1987. Also they analyzed whether directors of companies that commit accounting fraud are disciplined in the managerial labor market.

Lennox and Pittman (2010) relied on the incidence of accounting fraud to analyze whether the relative quality of financial statements audited by the Big five firms for the 1981 – 2001 period. They examine the specific event which fraudulent financial reporting done that has become a major focal point for justifying sweeping legislative and regulatory changes after high-profile corporate governance failures like Enron and Worldcom and shed light on whether this evidence persists in a multivariate framework that controls for company size, which is crucial since larger companies tend to retain Big Five auditors.

Beasley (1996) tested whether the inclusion of larger proportions of outside members on the board of directors significantly reduces the likelihood of financial statement fraud by using logit regression analysis of 75 fraud and 75 no-fraud firms. The results of the study indicated that no-fraud firms have boards with significantly higher percentages of outside members than fraud firms. The results also showed that the existence of an audit committee does not significantly affect the likelihood of financial statement fraud.



Spathis (2002) examined predictors of false financial statements for 76 firms in Greece including 38 with false financial statements and 38 non- false financial statements. Ten financial variables are selected as predictors of false financial statements, and the results indicated that the models function effectively in detecting false financial statements.

METHODOLOGY

This study examined whether accounting frauds and manipulations and also investigated investors' perceptions of the results of inaccurate information and actions presented to the market by firms listed in Istanbul stock market.

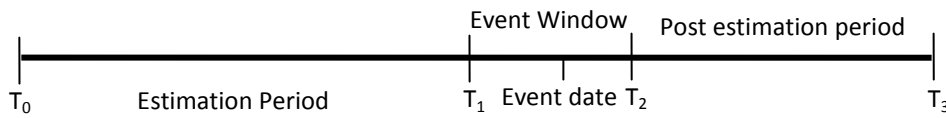
For the event study, event dates were based on announcements of firms' administrative monetary penalties for various reasons (see Appendix) and the dates were gathered from weekly bulletins by Capital Markets Board of Turkey (CMBT) in 2013. The date of bulletin publication was taken as event date. The study examined whether administrative monetary penalties given by CMBT have significant effect on abnormal returns (AR) and cumulative returns (CAR) as at the date of announcement.

Event study techniques are used to examine the reaction of investors to positive or negative news which are called events. The underlying assumption of these studies is capital markets being efficient enough to evaluate the impact of information contained in the events on the expected future profits of the companies.

Abnormal returns can be calculated by various methods. Such as; constant mean return model, the market model, and the capital asset pricing model (CAPM). Assumption of the market model is a linear relationship between the return of any security and the return of the markets. That's the return of the stock is a function of return of the market. According to this model return of a security is calculated using the following formula.

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

where R_{it} and R_{mt} is the return of security i and market respectively at time t , ε_{it} is a random normal variable with zero expectation and σ_{ei}^2 is the variance which is estimated from estimation period $(T_0 - T_1)$, α_i is the intercept of the model.



In practice, “normal” parameters of eq.(1) are computed within the estimation period (T₀ – T₁) and used in event window to calculate the coefficients of abnormal returns. Abnormal return of a security can be calculated using the following formula.

$$AR_{it} = R_{it} - \hat{\alpha}_i - \hat{\beta}_i R_{mt} \quad (2)$$

where $\hat{\alpha}_i$ and $\hat{\beta}_i$ are ordinary least squares (OLS) estimation of α_i and β_i , AR_{it} is the abnormal return of security i on time t over an event windows. The parameters ($\hat{\alpha}_i$ and $\hat{\beta}_i$) are estimated from the estimation period it is 150 days) stock returns. The cumulative abnormal return (CAR) for stock i over the event windows for day T₁ through T₂ is calculated as follow.

$$CAR_{i,(T_1,T_2)} = \sum_{t=T_1}^{T_2} AR_{it} \quad (3)$$

The t-test for the abnormal return (equ.4) and cumulative abnormal return (equ.5) is calculated as follows.

$$t_{AR_{it}} = \frac{AR_{it}}{s(AR_i)} \quad (4)$$

$$t_{CAR_{i,(T_1,T_2)}} = \frac{CAR_{i,(T_1,T_2)}}{S(CAR)} \quad (5)$$

where $S(AR_i)$ is the standard deviation which can be calculated as follows.

$$s(AR_i) = \sqrt{\frac{1}{M_i - 2} \sum_{t=T_0}^{T_1} AR_{it}^2} \quad (6)$$

$$s(CAR_{i,(T_1,T_2)}) = \sqrt{L_2} s(AR_i)$$

where M is the number of non-missing returns on estimation period, L is the length of event window between T₀ and T₁ which are the beginning and last day of the estimation period.

3.1. Data Sources



All data except events are collected from the quandl.com web pages. Events and event dates are collected from Capital Markets Board of Turkey (CMBT) weekly bulletins. The day of the announcement on administrative monetary penalties (such as; (a) don't make the announcement of the decisions of the board of director and the some special situations to the public, (b) don't complete the dividend payment which belongs to earlier years, (c) incorrect applications in financial statements, etc.,) dates published in CMBT weekly bulletins in 2013 were taken as event date.

3.2 Analysis and Findings

Abnormal and Cumulative Abnormal Return (AR and CAR) was tested using t-statistics. Event windows are chosen in such a way that the expected duration is considered to be long enough for the stocks to display the possible effects of the events. There is no widely accepted and theoretically sound way of determining the windows length. It can be changed according to the types of events (Tsiotsou and Lalountas, 2005; Coutts, Mills and Roberts, 1997; Kıymaz, 2001; Çukur and Eryiğit, 2007; Babacan and Ozer, 2013; Uyar and Küçük Kaplan, 2011; Basdas and Oran, 2014). The length of the windows used in this study is [-5 +5] which expected to capture short-term abnormalities in the returns of selected stocks. Table.2 presents the results of AR, CAR and t-statistics for AR and CAR for each stock for the [-5, +5] event period, and the figures belong to stocks are presented in appendix. In addition to this, some other event window periods ([-1, +5], [-1, +10], [-10, +10]) tested and summarized in the table 3.

The results of the analysis for [-5, +5] event window and 145 days estimation window revealed statistically significant abnormal returns for 9 events (SKBNK, RYGYO, RHEAG, MRSHL, KUYAS, INFO, GLYHO, GARAN2, EPLAS) and statistically significant cumulative returns for 1 event (GARAN2). Abnormal returns generally occurred after the event date. Significant abnormal returns at event date were determined only for 2 events (GLYHO and GARAN2). For GLYHO this effect did not continue after the event date whereas for GARAN2 the effect continued after 2 and 3 days. Besides the effect for GARAN2 remained for 3rd, 4th, and 5th days after the event date.

Among 15 significant abnormal returns at event date (2) and at other days (13) six were negative and nine were positive abnormal returns. The results also revealed that significant cumulative abnormal return was positive.



Table.2: the results of event study for [-5, +5] event window

Stocks Names	AR, CAR and t- statistics	Event Windows										
		-5	-4	-3	-2	-1	0	1	2	3	4	5
YKGYO	AR (t_stat)	-2.009 (- 0.572)	-3.609 (- 1.027)	-1.325 (- 0.377)	2.765 (0.787)	-3.818 (- 1.086)	2.124 (0.604)	-2.317 (- 0.659)	-2.103 (- 0.598)	2.384 (0.678)	-0.718 (- 0.204)	-0.803 (- 0.228)
	CAR (t_stat)	-2.009 (- 0.172)	-5.618 (- 0.482)	-6.943 (- 0.596)	-4.178 (- 0.358)	-7.996 (- 0.686)	-5.872 (- 0.504)	-8.189 (- 0.702)	- 10.292 (- 0.883)	-7.908 (- 0.678)	-8.626 (- 0.740)	-9.430 (- 0.809)
SKBNK	AR (t_stat)	-2.949 (- 1.457)	-0.666 (- 0.329)	0.692 (0.342)	-0.270 (- 0.133)	-0.271 (- 0.134)	0.912 (0.451)	-7.072 (- 3.494)	1.665 (0.823)	1.300 (0.642)	-0.379 (- 0.187)	-2.893 (- 1.429)
	CAR (t_stat)	-2.949 (- 0.439)	-3.615 (- 0.539)	-2.923 (- 0.435)	-3.193 (- 0.476)	-3.464 (- 0.516)	-2.552 (- 0.380)	-9.624 (- 1.434)	-7.959 (- 1.186)	-6.659 (- 0.992)	-7.038 (- 1.048)	-9.931 (- 1.479)



RYGYO	AR (t_stat)	1.845 (0.944)	-0.483 (- 0.247)	-2.178 (- 1.114)	2.391 (1.223)	3.325 (1.701)	-0.621 (- 0.318)	-2.687 (- 1.375)	-2.453 (- 1.255)	0.355 (0.182)	-0.656 (- 0.336)	-0.191 (- 0.098)
	CAR (t_stat)	1.845 (0.284)	1.362 (0.210)	-0.816 (- 0.126)	1.575 (0.243)	4.900 (0.756)	4.278 (0.660)	1.591 (0.245)	-0.862 (- 0.133)	-0.507 (- 0.078)	-1.163 (- 0.179)	-1.354 (- 0.209)
RHEAG	AR (t_stat)	-2.880 (- 1.665)	-0.562 (- 0.325)	1.546 (0.894)	1.354 (0.783)	-1.451 (- 0.839)	-0.270 (- 0.156)	-2.481 (- 1.434)	-0.175 (- 0.101)	-2.245 (- 1.298)	-0.347 (- 0.201)	0.997 (0.576)
	CAR (t_stat)	-2.880 (- 0.502)	-3.442 (- 0.600)	-1.896 (- 0.330)	-0.542 (- 0.094)	-1.993 (- 0.347)	-2.262 (- 0.394)	-4.743 (- 0.827)	-4.918 (- 0.857)	-7.163 (- 1.249)	-7.511 (- 1.309)	-6.513 (- 1.135)
PEGYO	AR (t_stat)	0.921 (0.463)	1.781 (0.894)	-1.742 (- 0.875)	1.618 (0.812)	-0.195 (- 0.098)	-0.896 (- 0.450)	-0.121 (- 0.061)	-0.767 (- 0.385)	-0.441 (- 0.221)	1.491 (0.749)	0.120 (0.060)
	CAR (t_stat)	0.921 (0.139)	2.702 (0.409)	0.960 (0.145)	2.578 (0.390)	2.383 (0.361)	1.488 (0.225)	1.367 (0.207)	0.600 (0.091)	0.159 (0.024)	1.651 (0.250)	1.771 (0.268)



MRSHL	AR (t_stat)	-0.527 (-0.233)	0.641 (0.284)	-1.536 (-0.681)	0.212 (0.094)	0.664 (0.294)	-0.259 (-0.115)	0.498 (0.220)	-4.040 (-1.790)	-1.125 (-0.498)	-1.780 (-0.789)	-0.616 (-0.273)
	CAR (t_stat)	-0.527 (-0.070)	0.114 (0.015)	-1.422 (-0.190)	-1.210 (-0.162)	-0.546 (-0.073)	-0.805 (-0.108)	-0.307 (-0.041)	-4.348 (-0.581)	-5.473 (-0.731)	-7.254 (-0.969)	-7.870 (-1.051)
KUYAS	AR (t_stat)	-6.929 (-1.143)	10.985 (1.812)	2.040 (0.336)	-2.435 (-0.402)	-0.892 (-0.147)	-1.295 (-0.214)	12.667 (2.089)	-8.730 (-1.440)	10.525 (1.736)	-0.780 (-0.129)	- (-1.667)
	CAR (t_stat)	-6.929 (-0.345)	4.056 (0.202)	6.096 (0.303)	3.661 (0.182)	2.769 (0.138)	1.474 (0.073)	14.140 (0.703)	5.410 (0.269)	15.935 (0.793)	15.155 (0.754)	5.050 (0.251)
INFO	AR (t_stat)	1.579 (0.669)	-1.089 (-0.461)	1.882 (0.797)	-0.590 (-0.250)	0.250 (0.106)	-1.785 (-0.756)	1.157 (0.490)	-3.737 (-1.583)	2.787 (1.181)	5.528 (2.342)	-0.549 (-0.233)
	CAR (t_stat)	1.579 (0.202)	0.490 (0.063)	2.372 (0.303)	1.782 (0.228)	2.032 (0.260)	0.247 (0.032)	1.404 (0.179)	-2.333 (-)	0.454 (0.058)	5.982 (0.764)	5.433 (0.694)



		)	)	)	)	)	)	)	0.298))))
GLYHO	AR	-1.831	0.203	-3.388	0.940	0.515	6.404	-0.767	3.200	-1.162	1.087	-0.184
	(t_stat)	(-0.861)	(0.096)	(-1.594)	(0.442)	(0.242)	(3.013)	(-0.361)	(1.506)	(-0.547)	(0.512)	(-0.087)
GLBMD	CAR	-1.831	-1.627	-5.015	-4.076	-3.561	2.843	2.077	5.277	4.115	5.202	5.018
	(t_stat)	(-0.260)	(-0.231)	(-0.711)	(-0.578)	(-0.505)	(0.403)	(0.295)	(0.749)	(0.584)	(0.738)	(0.712)
GEDIK	AR	-2.870	-0.829	-3.090	-1.780	4.606	0.130	0.696	-1.570	0.123	-0.758	-1.109
	(t_stat_AR)	(-0.899)	(-0.260)	(-0.968)	(-0.558)	(1.443)	(0.041)	(0.218)	(-0.492)	(0.038)	(-0.237)	(-0.347)
GLBMD	CAR	-2.870	-3.699	-6.788	-8.569	-3.963	-3.833	-3.137	-4.707	-4.584	-5.342	-6.451
	(t_stat_CAR)	(-0.271)	(-0.349)	(-0.641)	(-0.809)	(-0.374)	(-0.362)	(-0.296)	(-0.445)	(-0.433)	(-0.505)	(-0.609)
GEDIK	AR	0.001	-0.171	-0.021	1.272	-2.466	2.427	-0.418	-1.585	-1.151	1.729	-1.209
	(t_stat_AR)	(0.001)	(-0.102)	(-0.012)	(0.758)	(-1.468)	(1.445)	(-0.249)	(-0.944)	(-0.686)	(1.030)	(-0.720)
GEDIK	CAR	0.001	-0.170	-0.190	1.082	-1.384	1.043	0.625	-0.960	-2.112	-0.382	-1.592
	(t_stat_CAR)	(0.000)	(-0.194)	(-0.194)	(0.194)	(-0.194)	(0.187)	(0.112)	(-0.112)	(-0.112)	(-0.112)	(-0.112)



	R	0.074)	)	)	)	0.297)	0.034)	0.020)	)	)	0.159)	0.071)
FVORI	AR	0.576	-0.425	0.215	-0.707	0.432	-0.012	-0.671	-0.199	-0.095	-1.662	0.039
	t_stat_AR	(0.222	(-	(0.083	(-	(0.166	(-	(-	(-	(-	(-	(0.015
		)	0.164)	)	0.272)	)	0.005)	0.258)	0.077)	0.037)	0.640))
FVORI	CAR	0.576	0.150	0.365	-0.341	0.091	0.079	-0.592	-0.791	-0.886	-2.548	-2.509
	t_stat_CAR	(0.067	(0.017	(0.042	(-	(0.011	(0.009	(-	(-	(-	(-	(-
		)	)	)	0.040)	)	)	0.069)	0.092)	0.103)	0.296)	0.291)
FINBN	AR	0.481	0.469	0.500	0.368	-1.348	0.315	-1.233	-0.590	-0.267	0.740	-1.131
	t_stat_AR	(0.415	(0.404	(0.431	(0.318	(-	(0.272	(-	(-	(-	(0.639	(-
		)	)	)	)	1.163)	)	1.064)	0.509)	0.231)	)	0.976)
FINBN	CAR	0.481	0.949	1.449	1.817	0.469	0.785	-0.448	-1.038	-1.305	-0.565	-1.697
	t_stat_CAR	(0.125	(0.247	(0.377	(0.473	(0.122	(0.204	(-	(-	(-	(-	(-
		)	)	)	)	)	)	0.117)	0.270)	0.340)	0.147)	0.441)
EPLAS	AR	3.335	-6.433	0.739	1.436	-0.351	-4.375	5.769	-	11.973	7.619	-0.859
	t_stat_AR	(0.809	(-	(0.179	(0.348	(-	(-	(1.399	(-	(1.848	(-	(-
		)	1.560)	)	)	0.085)	1.061)	)	2.904)	)	0.208)	3.226)
EPLAS	CAR	3.335	-3.098	-2.359	-0.923	-1.274	-5.649	0.120	-	-4.234	-5.093	-



	t_stat_CAR	(0.244)	(- 0.227)	(- 0.173)	(- 0.068)	(- 0.093)	(- 0.413)	(0.009)	11.853 (- 0.867)	(- 0.310)	(- 0.372)	18.394 (- 1.345)
CEMAS	AR t_stat_AR	0.660 (0.241)	-1.533 (- 0.561)	0.598 (0.219)	1.555 (0.569)	-0.872 (- 0.319)	0.544 (0.199)	2.706 (0.990)	-2.202 (- 0.806)	-1.060 (- 0.388)	-1.602 - 0.586)	0.437 (0.160)
	CAR t_stat_CAR	0.660 (0.073)	-0.874 (- 0.096)	-0.276 (- 0.030)	1.279 (0.141)	0.407 (0.045)	0.951 (0.105)	3.658 (0.404)	1.456 (0.161)	0.396 (0.044)	(- 1.207 - 0.133)	-0.770 - (0.085)

Table.3: Number of statistically significant days in different event windows



Event Windows	[-1+5]						[-1+10]						[-10+10]						
	AR			CAR			AR			CAR			AR			CAR			
	[- t ₀]	[t ₀]	[+t ₀]	[- t ₀]	[t ₀]	[+t ₀]	[- t ₀]	[t ₀]	[+t ₀]	[- t ₀]	[t ₀]	[+t ₀]	[- t ₀]	[t ₀]	[+t ₀]	[- t ₀]	[t ₀]	[+t ₀]	
CEMAS																			
EPLAS			2			1			6			1	1		6				
FINBN									2				1		2				
FVORI													2						
GARAN																			
GARAN2		1	2			3		1	4			8	2	1	4				8
GARAN3									1										
GEDIK													1		1				
GLBMD																			
GLYHO		1				3			2					1	1				
INFO			1						1				3		2				



KUYAS			2					3					2			
MRSHL			1					2								
PEGYO											1					
RHEAG																
YKGYO																
RYGYO	1					1										
SKBNK			1					1					1			

Not: The numbers in table showed the number of statistically significant Abnormal and cumulative abnormal return in that event window



CONCLUSION

The study examined whether the announcement of an administrative monetary penalties given by CMBT have significant effect on abnormal returns (AR) and cumulative returns (CAR) as at the date of announcement using event study methodology. It was expected that there would be negative abnormal returns at or after the event date. This is because administrative monetary penalties may be evaluated negatively by investors and this in turn may have negative effects on stock returns. Contrary to our expectations we found that significant abnormal and cumulative returns are mostly positive.

The results indicated that investors doesn't consider announcement of administrative penalties or these announcements have already been priced before. With regard to this, announcements may not be regarded as new or important information for the market.

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APPENDIX

