

ABSTRACT

This research is aimed to examine the effect of manipulation of real activities through cash flow operations of the company's market performance. Earnings management is a known phenomenon and develop throughout the world in line with the development of the business world. It is ever happened on PT. Kimia Farma Tbk (2002), PT. Indofarma Tbk (2004) and Tesco Supermarket Ltd (2013). This research is using secondary data taken from the SWA100 rating of 2012-2014. The data are collected using purposive sampling method. The analysis of this research employs simple regression.

The real activities manipulation model based on Roychowdhury's model (2006). Prior to test the hypotheses, the researcher employed regression model to determine normal and abnormal cash flow from operating activities. Then, descriptive statistics, regressions, one sample t-test, and two independent sample t-test are used to answer the problems.

Result show that manipulation of real activities through cash flow operations do not have effect of the company's market performance. Moreover, the impact of real activities manipulation on market performance shows firms that are more likely executing real activities manipulation have higher market performance than their counterparts.

Keywords: *operating cash flow, real activities manipulation, market performance.*