Review of: "From M-Score to F-Score: Moderating the Relationship between Earnings Management and Stock Performance"

Kanitsorn Terdpaopong[1]

1 Rangsit University

The paper From M-Score to F-Score: Moderating the Relationship between Earnings Management and Stock Performance by Wil Martens and David Emanuel Andersson examines the relationship between earnings manipulation, as measured by the Beneish M-Score and Dechow F-Score, and excess stock returns in the Vietnamese market. The study employs robust econometric techniques such as stochastic generalized method of moments (SGMM) and Cox Proportional Hazards Model (CPHM) to address endogeneity and other statistical issues.

The most outstanding point of this paper is its application of the Beneish M-Score and Dechow F-Score to a frontier market (Vietnam). This is a novel contribution, as most existing studies focus on developed markets. The paper examines the relationship between these scores and excess returns during different economic conditions (e.g., pre- and post-IFRS adoption, during financial crises) and provides valuable insights into the applicability and effectiveness of these financial manipulation scores in a less-studied market.

The most critical area for improvement is the clarity and depth of interpretation of the results. While the paper employs sophisticated econometric techniques, the interpretation of these results is often superficial. The authors need to provide a deeper analysis of why certain results were obtained, what they imply for the Vietnamese market specifically, and how they contribute to the broader literature on earnings management and financial performance. Additionally, the paper should better integrate these findings with theoretical frameworks and provide more detailed practical implications for investors, regulators, and policymakers.

Recommendations for Improvement

1. Enhance the Literature Review - A deeper engagement with relevant literature, both in terms of supporting arguments and positioning the study within ongoing academic debates, is necessary. The authors should provide a more comprehensive review of relevant literature, clearly highlighting the gaps this study aims to fill. In addition, the connection between valuation theory and agency theory and the study's context is introduced (Figure 1), but the integration feels forced. The relevance to the Vietnamese market should be made clearer.

2. Justify Methodological Choices - The authors should offer stronger justification for the choice of econometric methods and explain their execution in more detail.

3. Improve Clarity and Presentation: Please simplify the language, especially in the results section, and use clearer

tables and figures to present key findings. Deepen analysis and interpretation by providing a more thorough analysis of the results, discussing their implications in detail, and integrating them with existing theories.

4. Expand Practical Implications - While the paper makes a valuable contribution by applying the M-Score and F-Score to the Vietnamese market, it needs to better articulate this contribution in the context of the existing literature. The authors should elaborate on the practical implications for different stakeholders, offering concrete recommendations based on the findings.

5. Address Robustness and Limitations - The authors should include more detailed robustness checks and openly discuss the limitations of the study, offering specific suggestions for future research.

This paper is well structured and worth reading. However, if the authors address the aforementioned comments, the paper can significantly improve in quality and make a more substantial contribution to the field, increasing its chances of acceptance in the journal.