**Table 2.** Summary of alternative fraud‐detection techniques

| **Technique** | **Description** | **Source** |
| --- | --- | --- |
| *Quantitative detection techniques* | | |
| *F*‐score | Ratio of the predicted probability of fraud based on a logit model of firm financial characteristics, over the unconditional expectation of a financial misstatement. | Dechow et al. ([2011](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0016)) |
| Capacity difference | Difference between the year‐over‐year change in revenue less the year‐over‐year change in number of employees. | Brazel et al. ([2009](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0006)) |
| M&A activity | Dummy variable equal to one if the firm acquires a target or merges with another firm during the fiscal year. The variable is otherwise equal to zero. | Brazel et al. ([2009](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0006)) |
| Unexplained audit fees | The residual from a regression of characteristics previously shown to be associated with audit fees on the log of audit fees. | Hribar et al. ([2010](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0026)) with modifications proposed by Price et al. ([2011](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0037)) |
| *Language‐based detection techniques* | | |
| Deceptive proportion | Frequency of appearance in the MD&A section of words from a list of deceptive words corresponding to the categories of first person singular pronouns, exclusive words, negative‐emotion words, and action verbs. The frequency is then divided by the total number of words in the MD&A. | Newman et al. ([2003](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0036)) |
| Litigious proportion | Frequency of appearance in the MD&A section of words from the Fin‐Litigious list. The frequency is then divided by the total number of words in the MD&A. | Loughran and McDonald ([2011](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0034)) |
| Uncertain proportion | Frequency of appearance in the MD&A section of words from the Fin‐Uncertain list. The frequency is then divided by the total number of words in the MD&A. | Loughran and McDonald ([2011](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0034)) |
| Negative proportion | Frequency of appearance in the MD&A section of words from the Fin‐Negative list. The frequency is then divided by the total number of words in the MD&A. | Loughran and McDonald ([2011](https://onlinelibrary.wiley.com/doi/full/10.1111/1911-3846.12089#care12089-bib-0034)) |
| Probability of truth | Measure of how likely a report is to be truthful based on classification by support vector machines (SVM). The presence in the MD&A of the top 200 words most predictive of fraud provide the inputs for the SVM classification. Predictive words are identified from a training sample and not known ex ante. |  |

Notes

* The table provides a brief description of the nine alternative fraud detection techniques compared in this paper and their source. We divide these techniques into those based on financial/quantitative measures and those using textual analysis. For reference the probability‐of‐truth measure derived in this paper is also described.