



AUD113 - Using Analytics to Detect Possible Fraud

Course Objectives

Chapter 1 - Overview of the Companies

- To gain an understanding of financial statements and internal controls.

Chapter 2: The "Norm" and the "Forensic" Preliminary Analytics: Basics Everyone Should Know

- To gain an understanding of some of the more common analytical ratios and why some are not well-suited for forensic analytics.

Chapter 3 - The Importance of Cash Flows

- To gain an understanding of the account relationships in cash flow statements

Chapter 4 - The Beneish M-Score Model

- To gain an understanding of the Model and its application in analyzing financial information

Chapter 5 - The Accruals

- To learn to measure accruals in financial statements for reasonableness and possible manipulation of earnings.

Chapter 6 - Analysis Techniques Using Historical Financial Statements and Other Company Information

- Using both the Piotroski F-Score Model and the Lev-Thiagarajan Model to analyze financial statements for possible anomalies in the information.

Chapter 7 - Benford's Law, and Yes- Even Statistics

- To learn simple, basic statistical tests that can be used in forensic accounting investigations

Chapter 8 – Grading the Four Companies

- You will learn how to use the techniques and tools covered within this course to evaluate the 4 companies presented. You will decide whether they deserve a failing or passing grade.

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Course Outline

Chapter 1: Overview of the Companies

The Four Companies

Chapter 2: The “Norm” and the “Forensic” Preliminary Analytics: Basics Everyone Should Know

Liquidity Ratios

Working Capital

Working Capital Index

Working Capital Turnover

Current Ratio

Case Studies: Liquidity Ratios

Profitability Ratios

Gross Profit

Gross Profit Margin

Stock Sales

Return on Equity

Case Studies: Profitability Ratios

Horizontal Analysis

Vertical Analysis

Chapter 3: The Importance of Cash Flows and Cash Flow Statements

Cash Flows and Net Income

Other Cash Flow Techniques

Chapter 4: The Beneish M-Score Model

Indices of the Primary Government

Indices of the Governmental Funds

Chapter 5: The Accruals

Dechow–Dichev Accrual Quality

The Four Companies: Dechow–Dichev Model

Sloan’s Accruals

The Four Companies: Sloan’s Model

Jones Nondiscretionary Accruals

The Four Companies: Jones Model

Chapter 6: Analysis Techniques Using Historical Financial Statements and Other Company Information

The Piotroski F-Score Model 0

Lev–Thiagarajan’s 12 Signals

Chapter 7: Benford's Law, and Yes—Even Statistics

Benford’s Law

Simple Statistics

Chapter 8: Grading the Four Companies

Company 1

Company 2

Company 3

Company 4