

# [Four examples of red flags-financial statement fraud and committee of sponsoring ...](https://assignbuster.com/four-examples-of-red-flags-financial-statement-fraud-committee-of-sponsoring-organizations-of-treadway-commission/)

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Due Red Flags-Financial ment Fraud According to the Auditing Standards Board there are two categories of fraud. The first, misappropriation of assets is generally the focus of fraud prevention because the majority of fraud cases are of this type. While the second, financial statement fraud, gets less attention, makes up a smaller percentage of fraud cases, however, contributes greater actual money losses.(Helms) Financial statement fraud is usually committed by a member of the senior management with a level of control to commit the fraud or encourages or urges subordinate staff to commit fraudulent acts for him. There are about a dozen potential ways that a " frauder" can attempt to accomplish financial statement fraud, such schemes include, improper revenue recognition, recording fictitious revenues, overstatement of assets (not including receivable overstatements in regard to fraudulent revenue), understatement of expenses/liabilities, and even Insider trading, as well. However, it is the overstating existing assets or capitalizing expenses that seems to be one of the most common and convenient as a means of committing financial statement fraud because there are a number of ways to do so; everything from prepaid expenses, investments, securities, and most often, inventory. A company that wants to be able to recognize and prevent fraud form within their business need to they should consider an anonymous “ whistle blower” hotline, so that conscientious employees need not fear retaliation from their superiors should they report them.(Helms)ReferenceHelms, Glenn. " Detect and Prevent Financial Statement Fraud." MNCPA: Minnesota Society of Certified Public Accountants. MNCPA, Apr 2011. Web. 10 Oct 2012. . Your NameInstructors NameCourse NameDue DateCommittee of Sponsoring Organizations of Treadway CommissionThe Committee of Sponsoring Organizations of Treadway Commission was founded in 1985, to sponsor the National Commission on Fraudulent, Financial Reporting offering a private sector initiative to studies focused on understanding the causes and therefore the potential prevention of fraud within businesses. The National committee is comprised of five separate “ professional associations” in the United States; including Financial Executives International (FEI), The American Institute of Certified Public Accountants (AICPA), the Institute of Management Accounting (IMA), the Institute of Internal Auditors (IIA), and lastly, the AAA, or American Accounting Association. (" COSO") These different independent sponsor organizations had representatives from multiple industries, including the New York Stock Exchange, public accountants, and investment firms. The Committee of Sponsoring Organizations of Treadway Commission has the intent to provide guidance and frameworks that businesses and companies can use to help them be able to deter, prevent, and alleviate the risk of fraud from their professional equation. Ideally if a business makes their organization impenetrable to fraud then those who might consider committing the act, may think twice if, getting caught, and being held responsible is a more likely outcome. The vision of the organization is to be fully recognized as an important tool in the areas of “ risk and control” which will aid in better business function and, of course, a more tangible reduction in the occurrence of fraud.(COSO)Reference" Committee of Sponsoring Organizations of the Treadway Commission." COSO. Committee of Sponsoring Organizations of the Treadway Commission, 2012. Web. 10 Oct 2012. .