

Fcb case study narrative



**ASSIGN
BUSTER**

PRESSUREFRAUD

TRIANGLEMODELATTITUDE/RATIONALIZATIONOPPORTUNITYPressure)

Financial stability is threatened by economy and industry* FCB commit fraud when an international crisis occurred with the exceptional increase in oil prices. The price hike in fuel surcharges drastically affected the freight forwarding industry significantly because of its reliance on fuel for operations. A company with high gearing ratio is more vulnerable to downturns in the business cycle because the company must continue to service its debt regardless of how bad sales are. * Management is pressured for meeting expectations of third parties.

Management of FCB is also members of shareholder. Analysts were expecting FCB's revenue to increase for the next year by a further 54% to RM 809 million because of its major capacity expansion in 2005 despite the rising fuel prices. Opportunities a) When higher complicated transactions shown, FCB encounter greater probability of fraud* FCB management manipulate complex financial arrangements to defraud FCB and its shareholder to make the company looks better and far more profitable than it was b) When the company under weaker internal control environment, management has more opportunities to defraud financial statements* Poor corporate governance provided opportunities to control shareholders to transfer value from firm to personal profits* Reduction of corporate value led to a high probability of earnings manipulation Attitude a) When more queries about manager integrity arises, a firm has more probability of fraud* Management of FCB thinks that they are doing the right things and they had to do it because of caught in a bad world oil crisis* They need to manipulate

the financial statements as they want the investor to trust their company without any doubt.