

Fraudulent financial reporting essay



**ASSIGN
BUSTER**

Is this an example of fraudulent financial reporting or misappropriation of assets? In this case, it is misappropriation of assets because the fraud is the consequence of the employee theft. As it is stated in the case “ manager at Aspen store was stealing payments by customers on accounts. That’s why subleased was out of balance with the GEL. To cover it up, the manager debited the sales account, which was why the gross margins didn’t make sense. ”

2. What created an opportunity to commit the fraud?

The first reason that push employees commit the fraud is due to the opportunity and motivation which meaner the more dissatisfied the employee, the more likely he or she was to engage in criminal behavior. The other reason is related to the financial pressures which mean that the great majority committed fraud to meet their obligations. In this case, the opportunity to commit fraud is typically addressed to the ineffective internal control because of the important amount that makes it difficult to the auditors to check for the internal control.

Moreover, the staff accountant failed to set up sufficient procedures in order to identify the fraud. Also, there are higher probabilities of fraud if the issue is related to information technology.

3. What was the “ trail” created by the fraud, that is, what circumstances tipped off the auditors that a fraud might have occurred?

0 The auditor perceived that a large amount (\$100 000) was debited from sales and credited from account receivables. This amount is justified to be an adjustment.

Therefore, the auditor used her professional skepticism and was surprised how such a mistake could happen.

0 The auditor examined through the

analytical procedures and revealed that the gross margin percentages at the cross state store are lower due to the strategy of reduction the price in order to attract customers. The auditor talked to the controller about the previous problems (accounts receivables at Aspen store and the price reduction) but he denied all these issues. 4. The staff accountant originally missed these warning signs of fraud.

What were the main reasons why the signs were missed? 0 The staff accountant to do the audit to the cross state store without any supervision. 0 The staff accountant did not use the professional skepticism in order to help them to be able to detect the fraud. The duration spent in Aspen store to perform the audit by the staff accountant was not sufficient. 0 The audit team was under time pressure in order to finish their job that's why they were not efficient in their work 0 The fraud specialist did not assist the audit team. The case study 2: FACEABLE, INC. . In this example of fraudulent financial reporting or misappropriation of assets? In this case is fraudulent financial reporting because the organization's financial stability or profitability is being threatened. The revenues of the company are continuing to increase while the income of the company " is showing signs of declining to a level beneath that expected by analysts who follow the company' (Kurt Pang, P CPA, city, December 21) en problem Is Owe to ten Increase In ten maintenance of cable system particularly in new cable coverage area. . ASS No. 99 requires a number of inquiries of management, the audit committee, internal auditors, and others. Which, if any, individuals responding to these inquiries might be likely to reveal this scheme to the auditors? ASS 99 requires the auditors to ask management questions about the company in order to know their

awareness and understanding of fraud. Auditors then decide to whether they need to make the company aware of the fraud and the types of controls that will help them to prevent and detect fraud.

The standard requires to the auditors to make inquiries to the audit committee, internal audit personnel and other within the entity in order to gather information to indemnify the risk. 3. This is an example of management override. What types of procedures does ASS No. 99 prescribe for management override? Which, if any, of these procedures would have a possibility of detecting the scheme? Procedures for management override prescribed