Beazer home case study

Business

Beaker Homes’ method of overstating its revenue is mainly a method of improper ‘ ululation because they fraudulently misstated its net income on multiple occasions. As repeatedly stated in the case, Homes decreased its reported net income by improperly increasing certain reported operating expenses and managed the earnings through improper accruals and reversals as well as sale-leaseback transactions. 2.

In order to overstate revenue, Beaker consistently restated financial statements to reflect adjustments for the years restated net loss for the first quarter of the fiscal

Hear as well as the net loss for the second quarter of the fiscal year. He did this for the fiscal years 1998 through 2007. He purposely misstated quarterly and annual income by managing its earnings. In order to manage the earnings, Homes reversed Improper accruals and reserves, improperly recognized income from the sale of 360 model homes to three separate investor pools, created land inventory accounts, allocated land acquisition costs to individual home lots which were then offered for sale, and manipulated the amounts recorded in the land inventory accounts.

He also significantly increased the number of model homes they leased and improperly accounted for more than half of them as a sale-leaseback.

3. Some signals that we can identify include the increase in accounts receivable as a percentage of sales, a sudden change in gross margin percentage, and that the CUFF lags operating income (See below)