

No title

Finance



The Thirteen Shenanigans Onetime items masked as recurring items; occurs when an item is marked or labeled after it has been completed. After an item has been completed, it can be marked as complete to avoid repetition of the same task or to avoid mixing of the complete items with those that are still on the process. As u marked the item, a new task is created based on the specification.

Hiding expenses; accompany can hide its expenses by classifying their expenses as capital investments. Capital investments are treated differently from other expenses for accounting purposes. Capital investment are money used to buy long-term assets like switches that direct telephone calls making it easier to spread the cost for several years hence hiding the expenses incurred for a given period.

During 2001 and the first quarter of 2002, the company counted as capital investments \$3. 8 billion that it spent on everyday expenses. This makes a difference because capital investments are treated differently from other expenses for accounting purposes. Capital spending is money used to buy long-lasting assets, like fiber-optic cables or switches that direct telephone calls, so the cost is spread out over several years. For example, if WorldCom spent \$10 million on switches it expected to last 10 years, it would book a \$1 million expense for 10 years. In contrast, if it spent \$10 million on office space, it has to count all of that expense in the period in which it occurred. The company says the expenses that were counted as capital expenditures involve " line costs," which are fees WorldCom pays to other telecom players for the right to access their networks.

Shifting Revue into Future - This accounting principle implies that the revenues that were to be earned in the current account period are deferred

to a future date. Although not common in practice, it is often undertaken by some corporations and accounting companies. It is argued that future shifting of revenue gives the company future revenue stability.

Shifting Expenses into the Present – under this accounting approach, a company may opt to defer some of its future expenses. The company, therefore, can shift its current revenue to the coming accounting period in case of financial challenges during the current accounting period.

Shifts to operating cash increases – this principle is based on the idea that under certain circumstances, it would be important to shift the company's operating cash flows. The increases in the cash flows would therefore impact on the future operations.

Shifts to investing cash decreases – this principle gives the company the opportunity to investing the cash resources generated from the decrease in the operating cash flows.

Misuse of mergers – this is the misuse of market powers that arise from the mergers. Mergers give the merging companies the opportunity to dominate the market. However, the merging companies may take advantage of these market powers to exploit the consumers.

Unsustainable generation of cash flow – the sustainability of cash flows is important. However, under certain conditions, the cash flow generation may not be sustainable in the near future.

Overstating performance metrics – the performance metrics and measurements of a company may be overstated. This is possible when a company exaggerate its performance indicators.

Distorting performance metrics – the performance metrics may be distorted through manipulation of figures to indicate unrealistic metrics in order to

satisfy certain objectives.

Reference

Schilit, H. M. (2002). *Financial shenanigans*. New York, N. Y: McGraw-Hill.