

Division of Economic and Financial Studies

Unit Outline **ACCG847 Forensic Accounting**
2010 Semester1

Convenor Allan Drummond

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Prerequisites/ Co/requisites: There are no formal pre or co-requisites for this unit however students are assumed to have a reasonable knowledge of accounting procedures and methods it is desirable that you have some appreciation of auditing.- I don't care how you may have acquired the background knowledge but without it, you may struggle.

Students should read this unit outlined carefully at the beginning of the semester. It contains important information concerning the unit. If anything is unclear, please consult the unit convenor.

ABOUT THIS UNIT

Forensic accounting differs from conventional or traditional accounting and from Management accounting and auditing in terms of its purpose and context. Conventional accounting involves, the collection, recording and classification of data then summarising economic events in a logical manner to report those matters in financial language to decision-makers, many of whom are external to the firm. Traditional accounting is constrained as to reporting formats used by the requirement that reports conform to GAAP. Management accounting provides relevant information to insiders in the company so that divisions or departments within the company and the profitability of those operations can be monitored and enhanced,, there are no standard formats for such management reports, and they commonly contain considerable amounts of information not addressed in conventional accounting reports. The purpose of financial auditing is to provide assurance as to the reliability or otherwise of reports generated by conventional or Management accounting. The auditor cannot and does not attempt to guarantee the ultimate accuracy of those reports, but renders his or her opinion concerning the overall reliability at a macro level. If decisions

are based on sound information, the chances of wrong decisions being made is reduced. So the underlying objective of auditing is to assist decision-makers through providing a degree of quality control in an attempt to ensure that financial statements are free from material error. It is an attempt to confirm the final positions shown but may not reveal the various side tracks leading to those results.

Forensic accounting is concerned with specific problems, misfeasance, fraud, frequently with dispute resolution and involves very detailed investigation of evidence, rather than checking the mechanics of the compilation of reports from basic data. It is analytical and interpretive in its nature and thus has more in common with auditing than with other branches of accounting

The word forensic is an adjective meaning pertaining to or used in public fora. I.e., the courts of law. Thus forensic accounting is concerned with evidence, investigations and consulting services, it involves detailed examination of the underlying records and documents to try to determine whether significant error or wrongful (illegal?) actions may have occurred. Forensic accountant focuses on exceptional or unusual events and consequently uncovers almost as many fraudulent events as are disclosed by whistleblowers. It is however true to say that very frequently, the forensic accountants task is triggered by alarms raised by other concerned parties.

You could say, that forensic accounting starts in considering theft, securities, financial statements fraud etc, where conventional accounting and audit leave off. These focused investigations may lead to courtroom testimony involving the practitioner as an expert witness, whose duty is to help the court, to understand the relevant matters. Other areas of testimony, involve expert opinion over disputes over such commonly contested issues as valuations in dissolution of partnerships, insurance matters divorce and testamentary settlements etc I.e., where parties in dispute need impartial assistance to arrive at a well-informed and thus, mutually acceptable settlement.

UNIT RATIONAL/ OBJECTIVES

Forensic accounting services are a growing part of the accounting profession so we aim to provide students with an appreciation of the issues from both a local and international perspective-to achieve this the unit considers the following topics

- The social and legal context
- the foundation's of Australian legal structures
- fraud perpetrators and their motivations
- the conceptual backdrop and white collar crime
- fraud symptoms
- evidence collection and evaluation
- the legal elements of fraud
- Financial statements fraud
- Money-laundering
- Fraud prevention and policies

TEACHING STAFF

Convenor

Allan Drummond B.Bus. MA CPA. Contact adrummon@efs.mq.edu.au

CLASSES

Number and length of classes:

The unit is taught in seminar style, each seminar will address the topic listed in the weekly schedule below. Supplementary related materials may be supplied by the teaching staff in hard copy form or through the website. Students are expected to participate in the seminars through having prepared, designated material prior to each seminar individual students may be asked to lead discussion on some aspect of weekly topic, from time to time,. There will be one three hour seminar per week held in room E4B314 on Monday evenings between 1800 and 2100. There may be supplementary consultation periods announced from time to time.

Past experience shows that students usually need to undertake personal study at a rate of about three hours of private study for each hour spent in the classroom. Accordingly, we anticipate that most students will need to study for an additional nine hours per week to gain sufficient understanding.

Students must attend, 80% of all classes to be considered eligible for a passing grade or better in this unit, this in effect means attending 11 out of the 13 classes.

REQUIRED/RECOMMENDE TEXT & SUPPLEMENARY MATERIALS

Primary course materials will be drawn from the recommended text and will be supplemented from time to time by materials provided by the lecturer, either in hard copy or through, the unit web page. Students will need to extend these materials in researching the assignment topic

Recommended text

Albrecht S.W., Albrecht C.CC, AlbrechtC.O & Zimbelman M.F

“ Ffraud examination,, third edition 2009” ThompsonSouthWestern, Mason Ohio
ISBN 13: 978-0-324-65855-2

This is an excellent book, probably the best book currently available, providing a wealth of information on the social and technical aspects of the subject, . However due to the fact that our laws differ from those in the USA that aspect is not applicable here and the lecturer will supply materials on the Australian legal context .

Supplementary references:

- o Journal's
 - Journal of forensic accounting
 - auditing, fraud and risk
 - computer fraud and security
 - forensic science
 - forensic science International

- environmental forensics
- Texts
- Auditing and assurance and book 2009 edition-Pearson
- “Criminal law, and procedures in New South Wales”, second edition” Butterworth's ISBN 0-409-32237-7
- “ Assurance and auditing- concepts for a changing environment ” second edition- Jubb, Topple, Scheluch, Rittenburgh & Schwieger –Thompson ISBN 13:978-017-012996-1
- “ the accountant is an expert witness” Hoffman Cox & Cooper-CCH ISBN 978-1-921223-71-6
- “Kickback-inside the Australian wheat board, scandal” Catherine Overington Allen & Unwin ISBN 978-1 – 74175-194-9
- “ Tthe Washing Machine-money, crime and terror in the offshore system” Nick Kochan, Duckworth ISBN 0-7156-3611-1
- “ Cases in E-Commerce” Jeffrey F Rayport & Bernard J Jaworski – McGraw Hill Irwin ISBN 0-070250095-6
- “ creative accounting expert” Ignacio De La Torre Palgrave Macmillan ISBN 978-0-230-21770-6
- “ fraud and abuse in non-profit organisations-. Prevention and detection “ Zack GM, John Wiley & Sons New Jersey ISBN 978-0 – 471-44615-6
- “Hitlers Secret Bankers-Hal, Switzerland profited from Nazi genocide” Lebor A Simon & Schuster 1997 ISBN 671-01027-1
- “Enron-Anatomy of greed” Brian Cruver- Arrow ISBN 09-944682-0
- “Final Accounting-ambition, greed and the fall of Arthur Andersen” Barbara Lay Toffler Broadway Books Random House ISBN 0-7679-1382-5

UNIT WEB PAGE

The Web page , for this unit is to facilitate communication between staff and students; I will post supplementary learning materials, together with announcements concerning the course to it from time to time. Nonetheless, if you do not attend class, you risk missing information. The website definitely will not replace the need to attend seminars the URL is <http://online.mq.edu.au>

LEARNING OUTCOMES

- After successful completion of the subject. Students should have an appreciation of
- appropriate responses to issues associated with an allegation of fraud
 - identification of risks and management weakness from the fraud perspective
 - the social and legal context of fraud

- preliminary examination of evidentiary documents and a methodology for assembling evidence and writing reports
- an understanding of the sources and use information
- the major factors required to specify, develop and implement organisational policy intended to to minimize fraud.

In addition to the specific discipline-based learning objectives of all programs at McQuarrie. The University seeks to develop students generic skills in a range of areas. The intention is to help students develop their confidence in competencies in the following areas, which will assist in their retaining balanced capabilities to deal with an increasingly complex and demanding work environment.

- Communication skills
- Interpersonal skills, a capacity to comprehend and M5 emphasise with other people's positions and motivations
- self awareness, ie , an inner appreciation of the student's own mindset and understanding
- critical analysis skills
- creative thinking
- problem-solving capacities ie thinking"outside the square", involving the synthesis of the foregoing abilities. In order to generate viable solutions to unique problems within the cultural context of a society in which you operate

As you will see from the stated generic objectives we hope to promote among our graduates a decent standard of education in addition to mere technical competence.

Since the benefits of forensic accounting activity flow from the clear transmission of findings to stakeholders (frequently via the courts) competent communications are vital and in Australia. and I am obliged to insist on a higher standard of English expression than is normally tolerated at the undergraduate level. If you feel uncertain of your capacities in this regard do not hesitate to use the free English language support services available on campus see http://www.ling.mq.edu.au/support/writing_skills/index.htm

Weekly schedule

<i>Week</i>	<i>Monday</i>	<i>Topics</i>	<i>Reference(s)</i>
1	22/05/10	-Course overview -The Roles of Forensic accounting and Accountants -The Social and Legal Context -The Fraud triangle	Ch 1&2 And Handouts
2	01/03/10	- Fraud minimisation	Ch3&4

3	08/03/10	- Fraud detection & Concealment	Ch5,6&7
4	15/03/10	- Investigation	Ch 9&10 & Handout
5	22/03/10	Organisations as Victims	Ch14
6	29/03/10	Consumer Fraud	Ch15
<i>Break</i>	<i>5/4 &12/4/10</i>	<i>Mid Semester Break</i>	
7	19/04/10	Mid Semester Exam	
8	26/04/10	-Financial Statement Fraud- Overview	Ch11
9	03/05/10	-Financial Statement Fraud- P&L	Ch12
10	10/05/10	-Financial Statement Fraud- B/S	Ch 13
		-Money Laundering	Ch16& Handout
11	17/05/10	-E'Commerce	Ch 17
12	24/05/10	-Expert Witness	Ch 18 & Handout
13	31/5/10	Final Exam	

ASSESSMENT

MID Semester Exam	20%
Assignment	30%
Final Exam	50%
Total	100%

To obtain a pass in the course it is necessary to

- a) Attempt ALL assessment components AND
- b) Attend 11 out of the 13 seminars AND
- c) Pass the Final exam AND
- d) Obtain an aggregate passing grade for the course

Examination Rules

Exams will start and finish on time. No extra time will be permitted for late arrival. Exams will be closed book ie , study notes or textbooks are not allowed. But due to the high proportion of overseas students underlined language dictionaries are permitted. Non-programable calculators may be used. Students must answer questions in black ink (not pencil). Illegible scripts will lose marks. Since this subject inter alia entails an understanding of the preparation of evidence for litigation purposes a better standard of literacy is required than is tolerated from undergraduates. Therefore, marks will be deducted for poor spelling, syntax and expression

Note that students who do not attend the timetabled examinations will automatically be awarded a failure rate for the task. Students will not be given special consideration or permission to sit supplementary exams, unless the student can demonstrate that circumstances are so exceptional as to fall outside the reasonable application of that rule. The only circumstances, excusing failure to sit an examination at the designated time are those of documented illness or unavoidable disruption. In such circumstances you may wish to consider applying for "Special consideration". Information about unavoidable disruption, and the special consideration process is available at

<http://www.reg.mq.edu.au/Forms/APSCon.pdf>. A supplementary final examination will only be granted, where a student has demonstrated satisfactory coursework. Note that if a supplementary examination is granted as a result of special consideration processes that examination will be scheduled after the conclusion of the official examination period.

It is the universities policy, not to set early examinations for individuals or groups of students; accordingly students are expected to ensure that they are available until the end of the teaching semester, (ie the final day of the examination period).

Mid - semester examination 20%

The exam will be held in normal class time in week seven (ie 19th of April). It will be one and a half hours (90 minutes), including five minutes reading time. It will sample students knowledge of materials addressed during weeks one to six of the course.

Assignment , 30%

The assignment is to be prepared individually (I am convinced that group assignments are a thoroughly bad idea). Topic details will be distributed in week 4 Assignments are due to be submitted in class in week 10 (i.e. 10th of May).. The assignment is to be a concise, well reasoned word processed document. Printed double spaced on one side of the paper only in 12 point PalatinoLinotype Due to this being an exercise in preparing a court brief English expression is very important therefore poor spelling, syntax or expression will be penalized. Late assignments, will incur a marks penalty of 10% for each day. They are late.

Final examination , 50%.

The final examination will be held in normal class times in week 13 (IE 31st of May). The exam will be 2 1/2 hours (150 minutes), including 10 minutes reading time. As with all exams, it cannot test everything, but will seek to take a representative sample of students knowledge of the subject. Questions, may be asked on anything in the entire course and may therefore overlap materials previously referred to in either or both of the Mid Semester Exam, and the Assignment. As is the case with the other assessment tasks marks may be deducted for poor grammar, spelling and expression

UNIVERSITY POLICY on GRADING

The University Academic Senate has issued guidelines on the distribution of grades on across the range from high distinction to fail. Your final result will include one of these grades, together with a standardised numerical grade (SNG).

On occasion, your raw Mark for the unit (IE the aggregate marks for each assessment item), may differ from the SNG awarded. This is because, under the Senate guidelines results may be scaled to ensure comparability across the University. Senate units were

the same past performance of the students should achieve similar results. It is important for you to be aware that the policy does not require that a minimum number of students should fail any unit. In fact, the policy is quite to the contrary in that it requires examiners to justify their decisions, should more than 20% of students fail a unit. Further, the allocation of an SNG does not affect the rank order of students. Should you have earned the top mark in terms of your raw score you will still have first place in the course in terms of your SNG. Similarly, if you came seventh in the course on raw scores, you will still be seventh on SNG.

PLAGIARISM

The University, defines, plagiarism in its rules “ Plagiarism involves using the work of another person and presenting it as one's own”. Plagiarism is dishonest and a serious breach of university rules and therefore carries significant penalties, to understand it read the university's practice and procedures on plagiarism. They can be found in the handbook of undergraduate studies, or on the Web at <http://www.regmq.edu.au/Forms/APSCon.pdf>.

These references explain what plagiarism is, how to avoid it, the procedures which will be taken in cases of suspected plagiarism, and the penalties. If found guilty. Penalties may include a deduction of marks, failure in the course, and/or referral to the University disciplinary committee.

STUDENT SUPPORT SERVICES

MacQuarie University provides a range of academic student support services. Details can be obtained from <http://www.student.mq.edu.au>.

Students should note that forensic accounting, like auditing is heavily language dependent and therefore requires a good command of English, most particularly written English. The following support services are available.

Writing skills program.

This program is open to all MacQuarie students and offers:

- FREE short quarters on essay writing during which 6 to 10 of each semester
- FREE individual consultation on academic writing (by appointment).

For more information, check http://www.ling.mq.edu.au/support/writing_skills/index.htm

International study skills adviser

This service offers

- FREE individual or small, the consultation academic writing (by appointment)
- FREE workshops run throughout semester's, on topics such as:
 - Understanding and preparing assignments
 - Improving academic writing

- Proofreading techniques
- Essay writing: Report writing and Referencing

Details are available at

<http://www.international.mq.edu.au/StudentServices/StudySupport/index.html>

Student support services.

The student support service is open to all McQuarrie students and offers:

- Web based information about writing and referencing
- FREE , one hour, learning skills seminars throughout the semester.
- Interactive online tutorials, about time management and " effective academic reading "

for more information, check

Web based info: <http://www.sss.mq.edu.au/learning/undergrad>

Workshops: <http://www.sss.mq.edu.au/counseling/workshops/learning.htm>

Online tutorials:<http://online.mq.edu.au/pub/UCHSTIME/>

Finally- forensic accounting is demanding disciplined work, you will not learn about it overnight. It takes years of study and experience to approach a professional standard. As an old audit manager, and forensic accounting practitioner I have picked up a few clues but no one knows it all. There is always something new. The economy changes, the law changes and technology changes so if you enter the field you will be constantly faced with new intellectual challenges, this is what makes it interesting and the reason that "the bad side of business" has intrigued me for years. The one constant source of fascination is human nature, which does not change greatly, is complex and is at bottom, the reason for the existence of the discipline. Remember- business is about people, I hope you enjoy the course.

AllanD