

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG847
Forensic Accounting

Semester 2, 2010

Department of Accounting and Finance

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: Semester 2, 2010

Unit convenor: Renee Radich

[Prerequisites / Corequisites:] There are no formal prerequisites or co-requisites for this unit however students are assumed to have a thorough knowledge of accounting procedures and systems and of corporate structures; It will be beneficial if you also have some understanding of Auditing.

Credit points: 4 Credit points

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

This unit examines various techniques of financial fraud prevention, investigation and detection. Topics will include: motivations for financial fraud, symptoms of financial fraud, financial statement fraud, evidence collection and evaluation, legal report writing, interviewing witnesses and perpetrators, fraud prevention. Case studies will be used

Forensic accounting differs from financial accounting, management accounting and auditing in terms of its purpose and context. Financial accounting involves data collection, recording and classification and summarising economic events in a logical manner in order to report those matters in financial language to decision makers, many of whom are external to the firm. Financial accounting is constrained as to reporting formats used by the need to conform with GAAP. Management accounting provides relevant information to insiders in the company so that activities of divisions within a company and profitability of operations can be monitored and enhanced, There are no standard formats for such management reports and they may contain considerable amounts of data not addressed in financial reports.

The purpose of Auditing is to provide assurance as to the reliability or otherwise of reports generated by the systems at a macro level. The reason is simple: if decisions are based on sound information the chance of wrong decisions being made is reduced. Hence, the underlying objective of financial statement audit is to assist decision makers by providing a degree of quality control over the information through ensuring that the financial statements issued are free from material error. It confirms final positions shown but may not reveal the side tracks leading to those results.

Forensic Accounting is concerned with specific problems, frequently dispute resolution and entails detailed investigation of evidence rather than with compiling

reports from the basic. Data it is interpretive 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 ie courts of law. Thus forensic accounting is concerned with investigation and consulting services. Investigative accounting involves detailed examination of evidence to determine whether significant error or wrongful (illegal?) actions may have occurred. Forensic accounting builds on this by concentrating on exceptional or unusual events and consequently uncovers almost as many fraudulent events as are disclosed by whistle blowers.

Forensic accounting services are a growing and integral part of the accounting profession. The unit is designed to equip students to appreciate the issues involved from both local and international perspectives the unit and considers the following topics..

- The social and legal context
- The foundations of Australian legal structures
- Fraud perpetrators and their motivation(s)
- Conceptual backdrop and white collar crime
- Fraud symptoms
- Evidence collection and evaluation
- Legal elements of fraud
- Financial statement fraud
- Money laundering
- Fraud prevention and fraud policies

TEACHING STAFF

Convenor: Renee Radich

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Email: rradich@efs.mq.edu.au

CONSULTATION TIMES

Consultation hours will be Monday 2-4pm. **Please note that staff will only respond to emails that are sent by students from their Macquarie University email address.**

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

Students are required to attend one 3 hours face-to-face seminar per week. This will be held in E5A 118 on Tuesdays between 9am and 12midday.

The timetable for classes can be found on the University web site at:
<http://www.timetables.mq.edu.au/>

PRIZES

- Prizes for this unit (if applicable).
<http://www.businessandconomics.mq.edu.au/postgraduate>

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

The following text is available from the Co-op Bookshop:

Albrecht, S. W., Albrecht C.C., Albrecht C.O. and Zimbelman M.F., 2009, *Fraud Examination*, South Western, U.S.ISBN-978-0-324-65855-2

This text will be supplemented with readings available on the unit web site.

Students will also be expected to read the relevant Auditing Standards, available online at <http://www.auasb.gov.au/> or published as the *Auditing Handbook 2010*, being Volume 2 of the Accounting and Auditing Handbook 2010 by both Wiley and Pearson/Prentice Hall.

The following Journals and texts are useful as additional references:

Recommended journals:

*Journal of Forensic Accounting
Auditing, Fraud and Risk (JFA)
Computer Fraud and Security
Forensic Science
Forensic Science International
Environmental Forensics*

Recommended Texts:

Clarke, F & Dean, G 2007, *Indecent disclosure: gilding the corporate lily*, Cambridge University Press, New York.

Commonwealth Government Fraud control policy, 2nd ed.,
(Guidelines available at
[http://www.nationalsecurity.gov.au/www/agd/rwpattach.nsf/VAP/\(4341200FE1255EF](http://www.nationalsecurity.gov.au/www/agd/rwpattach.nsf/VAP/(4341200FE1255EF)

C59DB7A1770C1D0A5) ~commonwealth-fraud+control+guidelines.pdf file name - commonwealth-fraud control guidelines.pdf)

Dellaportas, S., Gibson, K., Alagiah, R., Hutchinson, M., Leung, P. & Van Homrigh, D., 2005, *Ethics, governance and accountability: a professional perspective*, John Wiley & Sons, Milton, Queensland. ISBN: 0 470 80499 8

Freckelton, I. & Selby, H., 2009, *Expert evidence: law, practice, procedure and advocacy*, 4th ed., Lawbook Co, Pyrmont, New South Wales. ISBN: 9780455225470

Golden, T.W., Skalak, S.L. & Clayton, M.M., 2006, *A guide to forensic accounting investigation*, John Wiley & Sons, Hoboken, New Jersey. ISBN: 9780471469070

Hayes, R. & Eburn, M., 2009, *Criminal Law and Procedure in New South Wales* 3rd Edition , Butterworths ISBN: 9780409325560

Hoffman, R., Finney, W., Cox, P. & Cooper, K., 2007, *The accountant as an expert witness: a basic guide to forensic accounting*, CCH Australia, Sydney, New South Wales. ISBN: 978-1-921223-71-6

Hopwood, W.S., Leiner, J.J. & Young, G.R., 2007, *Forensic accounting*, McGraw Hill/Irwin, Boston. ISBN: 9780073526850

Jubb, C., Toppo, S., Schelluch, P., Rittenburg L., & Schwieger B., 2008 "Assurance & Auditing-Concepts for a Changing Environment", Second Edition, Thomson ISBN: 13: 9780170129961

Kochan, N., 2006, *The washing machine-Money, Crime & Terror in the Offshore System*, Duckworth, ISBN: 0-7156-3611-1

Overington, C., 2007, *Kickback: Inside the Australian Wheat Board Scandal*, Allen&Unwin, ISBN: 978-1-74175-194-9

Rayport, J. & Jaworski, B., 2001, *Introduction to e-Commerce*, McGraw-Hill/Irwin. ISBN-13: 9780072510249

Silverstone, H. & Davia, H.R., 2005, *Fraud 101: techniques and strategies for detection*, 2nd ed., John Wiley & Sons, Hoboken, New Jersey. ISBN: 978-0-471-72112-3

Silverstone, H. & Sheetz, M., 2007, *Forensic accounting and fraud investigations for non-experts*, 2nd ed, John Wiley & Sons, New Jersey. ISBN: 978-0-471-78487-6

Singleton, T., Singleton, A., Bologna, G. & Lindquist, R., 2006, *Fraud auditing and forensic accounting*, 3rd edn, John Wiley & Sons, New Jersey. ISBN: 978-0-471-78591-0

Wells, J.T., (ed), 2007, *Fraud casebook: lessons from the bad side of business*, John Wiley & Sons, New Jersey. ISBN: 978-0-470-13468-9

Wells, J.T., 2008, *Principles of fraud examination*, 2nd ed., John Wiley & Sons, New Jersey. ISBN: 978-0-470-12883-1

Zack, G.M., 2003, *Fraud and abuse in nonprofit organizations: a guide to prevention and detection*, John Wiley & Sons, New Jersey. ISBN: 978-0-471-44615-6

TECHNOLOGY USED AND REQUIRED

Students are expected to have:

- Proficiency in Word, Excel and PowerPoint
- Knowledge of Blackboard –for downloading lecture materials, etc
- Knowledge of the library research databases – for accessing additional research material.

UNIT WEB PAGE

Course material is available on the learning management system (Blackboard)

The web page for this unit can be found at:

<http://online.mq.edu.au>

LEARNING OUTCOMES

The learning outcomes of this unit are:

1. Respond to issues associated with an allegation of fraud
2. Identify risk and management weakness from a fraud perspective
3. Appreciate the social /legal context of fraud
4. Conduct preliminary examination of documents, assemble evidence and write reports
5. Understand and use sources of information
6. Develop and implement an organisational policy to minimise fraud

GRADUATE CAPABILITIES (THIS AND THE PREVIOUS SECTION MAY BE REPLACED BY A COMBINED SECTION AS SHOW BELOW)

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

- 1 Discipline Specific Knowledge and Skills as indicated above in the section of learning outcomes;
- 2 Critical, Analytical and Integrative Thinking: for example, the ability to analyse and implement an fraud prevention and detection mechanisms;
- 3 Problem Solving and Research Capability: for example, the group assignment will require students to learn how to solve specific problems with respect to a forensic accounting scenario and requires research skills;

4 Creative and Innovative: for example, in order to make a clear and interesting presentation of the seminar questions, creative and innovative thinking will be required;

5 Effective Communication: is crucial for both written and oral assessment tasks;

6 Engaged and Ethical Local and Global citizens: the unit is based on fraud prevention and detection and intrinsically linked to ethical issues;

7 Capable of Professional and Personal Judgement and Initiative: this skill will be developed through seminar discussions and group assignment and assessed in the exams.

TEACHING AND LEARNING STRATEGY

The normal format for each 3 hour seminar class will be as follows:

- a) allocated group presentation (in certain weeks) (20 minutes)
- b) brief lecture / interactive discussion (75 minutes)
- c) review of pre-assigned practice questions (60 minutes)

(a) Allocated Group presentation – as detailed below, teams will present their conclusion to a case study on certain weeks (as per the timetable in the unit outline)

(b) Brief lecture / interactive discussion – each week, the lecturer will lead discussion covering the key points of the relevant material. The format and approach for this session will vary but may include a question and answer session where students will be asked to participate. This will require students to have pre-read the material.

(c) Preparation and review of practice questions – in some weeks, students will be expected to complete, and contribute to discussion concerning, various practice questions. These practice questions will be distributed in the first seminar. The amount of time spent on these questions and the seminar in which they are completed will be at the discretion of the lecturer and will depend upon the time available. Accordingly, students should bring a copy of these questions to every seminar.

A week-by-week list of the topics to be covered is at the end of the unit outline.

RESEARCH AND PRACTICE (*DELETE THOSE NOT APPLICABLE*)

This unit uses research from external sources (references) and gives you practice in applying research findings in your assignments

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

	Assessment Task 1	Assessment Task 2	Assessment Task 3	Assessment Task 4
Title/Name	In-class Presentation	In-Class Examinations	Group assignment	Final Examination
Description	Individuals will be allocated a case study to review. Each person will give a short presentation (maximum of 10 minutes)	One diagnostic test 5% in week 4 and mid semester test 20% in week 8	Case study for a group of 4/5	see notes below
Due date	see schedule	see schedule	see schedule	The University Examination period in Second Half Year 2010 is from 17 November to 3 December 2010
% Weighting	10%	25%	20%	45%
Grading method	You will be marked on the quality of your presentation and communication skills in line with the guidelines in this course outline. A suggested approach on how to complete this task will be covered during class in week 2.	Suggested solutions provided will represent marking standards	A marking guide provided will represent marking standards	Marking guide will be provided to qualified examiners as standard marking criteria
Submission method	presented during seminar	written quiz papers submitted during the designated seminars	A hard copy to BESS by 5pm 26 October, a soft copy to the email address given on the cover sheet of the group assignment	written hard copy submitted during the exam time

	Assessment Task 1	Assessment Task 2	Assessment Task 3	Assessment Task 4
Feedback (<i>type, method, date</i>)	Feedback will be given the week following the presentation	Suggested solutions would be discussed following the examinations	Feedback will be provided on the return of group assignments	Not applicable
Estimated student workload (hours)	2.0hr/week	1.5hrs/week	1.5hrs/week	2.0hrs/week
Learning outcomes assessed				
1. Respond to an allegation of fraud	x	x		
2. Identify risk and management weakness	x	x	x	
3. Appreciate the social /legal context of fraud	x	x	x	
4. Conduct preliminary examination of documents, assemble evidence and write reports	x	x	x	x
5. Understand and use sources of information	x		x	x
6. Develop and implement policy to minimise fraud.	x			x
Graduate capabilities assessed				
1 Discipline Specific Knowledge and Skills	x	x		x
2 Critical, Analytical and Integrative Thinking	x	x	x	
3 Problem Solving and Research Capability	x	x	x	x
4 Creative and Innovative	x			
5 Effective Communication	x		x	x
6 Engaged and Ethical Local and Global citizens		x	x	x
7 Capable of Professional and Personal Judgement and Initiative		x	x	x

To obtain a pass in the course, it is necessary to:

- (a) Attempt ALL assessment components; and
- (b) Attend 11 out of 13 seminars; and
- (c) Obtain a pass in the final examination; and
- (d) Obtain an overall passing grade for the course.

DIAGNOSTIC TEST:

A diagnostic examination will be held in class in week 4, Tuesday 24 August at 9am. The exam will be twenty minutes in duration and will cover materials drawn from weeks 1-3.

MID-SEMESTER TEST:

The mid semester examination will be held in class in week 8, Tuesday 5 October at 9am. The exam will be eighty minutes (one hour and twenty minutes) in duration and will cover materials drawn from weeks 1-7.

ASSIGNMENT:

An assignment is to be completed individually and is due in class on Tuesday 26 October. This is to be a concise word processed document and English expression is very important in this task. Details will be distributed in week 4. The written component will be graded out of 15. Late assignments will incur a 10% penalty per day. **Note that non-submission of the assignment will result in an automatic fail grade for the unit.**

In addition, your team will present your major findings during the seminar in that week. This presentation is expected to be no longer than 10 minutes per group and will be graded out of 5.

In order to grade the assignment, an Individual Contribution sheet must be filled out by each student and submitted at the same time as the assignment. The individual sheets can remain confidential and do not have to be shown to the other students in your team.

A copy of the individual contribution sheet is included in this outline. As can be seen, you should note down the percentage contribution of each member of the group (including yourself) to the finally completed assignment. For example, if you believe all 4 students in your group contributed equally to the assignment, you should allocate 25% next to each of the 4 students. The sheet of every member of the group will be used in determining the grade for the assignment.

FINAL EXAMINATION:

A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

A 2 hour final examination for this unit will be held during the University Examination period.

The University Examination period in Second Half Year 2010 is from 17 November to 3 December 2010. You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at

http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Postgraduate Studies.

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

The SNG is not a summation of the individual assessment components.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/postgraduate_students

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

DETAILED COURSE OUTLINE:

Week	Tuesday	Topic	Textbook Chapter(s)
1	3/08/09	Course overview An introduction to Forensic Accounting The roles of Forensic Accountants The social and legal context. White collar and corporate crime An overview of fraud: what it is and who gets involved The Fraud Triangle	1&2
2	10/08/09	Fraud reduction principles	3&4
3	17/08/09	Fraud detection & concealment	5&6
4	24/08/09	Fraud investigation Theft and concealment (Diagnostic test)	7&8
5	31/08/09	Financial statement fraud – An overview	11
6	7/09/09	Financial statement fraud – revenue & inventory related	12
7	14/09/09	Financial statement fraud – liability & asset related	
	21/09/09 and 28/09/09	Mid semester break	
8	5/10/09	Mid Semester Exam - (Closed book)	13
9	12/10/09	Fraud against organisations	14
10	19/10/09	Consumer Fraud/ Taxation Fraud	15&16
11	26/10/09	Group Presentations	
12	2/11/09	Money laundering Fraud in e-Commerce	17
13	9/11/09	Interview skills and the Forensic Accountant as an expert witness	10&18

ORAL PRESENTATION MARKING GUIDE

	Team Names				
STRUCTURE					
Introduction					
Message					
Handover to others					

CONTENT					
Appropriate for topic					
Information for class					

STYLE					
Use of visuals					
Loud & clear					
Hand/body movement					

AUDIENCE					
Eye contact					
Engaging					

LOGIC/TIME					
Good flow					
Within 4/5 minutes					

ACCG904

GROUP ASSIGNMENT INDIVIDUAL CONTRIBUTION SHEET

	Student ID	Student Name	Percentage Contribution of group member to the overall assignment
1			
2			
3			
4			
5			
Total			100%

SIGNED

DATE

Student ID
