

New York University – Stern School of Business
Forensic Accounting and Financial Statement Fraud (GB10.3310.30)
Spring 2016

Professors: Paul Zarowin and Henry M. Dachowitz
Meeting Time: Thursdays, 6:00PM – 9:00PM
Room: Kaufman 3-80

Course Description:

The objective of the course is to impart a detailed understanding of forensic accounting with particular emphasis on the methodologies of financial statement fraud. The course is designed to demonstrate the various aspects of fraud, i.e., fraudulent financial reporting, identifying fraud schemes, including computer fraud and methods of concealment, as well as the analytical techniques in uncovering fraud and its prevention through effective internal control systems. The course also includes an analysis of the general techniques used in working in litigation support services. The course is of particular interest to the accounting profession, the world of finance and to business in general. The course content has also become of critical interest to regulators and lawmakers because of the notoriety of a series of financial scandals which have affected the entire business community.

The course will also review the new institutional structures that have been put in place by lawmakers and the accounting profession to deal with fraud and its prevention, i.e., the Sarbanes-Oxley Act and self-regulating measures adopted by the accounting profession.

Method of Instruction:

The first half of each week's class, taught by Henry M. Dachowitz, will cover **Forensic Accounting**, which is defined as proactive accounting and auditing for fraud.

The semester's first classes will give you an overview of fraud --- its nature, the different types of fraud, WHY people commit fraud, recognizing the SYMPTOMS of fraud, and the analysis of fraud especially financial statement analysis.

In our later classes we will focus on financial statement fraud -- we will first study revenue-related, inventory-related, and Financial Statement frauds. We'll finish with frauds involving liabilities, assets, and inadequate disclosure.

The second half of each class, taught by Prof. Paul Zarowin, will analyze an actual accounting fraud or scandal, using a Harvard case. For the case analysis, each week students will be assigned a case, with specific questions and issues to address, which will be covered in class the following week. Students are welcome and encouraged to work in groups, and each group will hand in its case analysis. In addition to the case analysis itself, class participation and discussion will be emphasized. There will be no midterm exam. The final exam will be in class. A case will be handed out the previous week, without questions, for students to study and analyze, in groups if they wish. The in class test will consist of questions about the case.

Grading Policy:

Your course grade will reflect the following emphases:

Class assignments and participation	40%
Mid-term examination	20%
Final examination	40%

Required Textbook:

Albrecht, Albrecht, Albrecht and Zimbleman, *Fraud Examination*, 5th Ed., 2016, Cengage Learning.

Weekly Schedule of Cases with Professor Zarowin (7:30 – 8:45PM)

Week	Date (Thursday)	Title	Case Number
1	Feb 11	Overview: Discussion of motives, methods, and financial analysis of frauds Case analysis: Nortel	Ivey School of Business Case W12147
2	Feb 18	Case analysis: Green Mountain Coffee Roasters	9-113-035
3	Feb 25	Case analysis: *Bausch & Lomb	9-198-009 9-101-010 9-101-008 9-101-009
4	Mar 3	Case analysis: *WorldCom	9-104-071 9-105-047
5	Mar 10	Case analysis: *Bristol Myers-Squibb	Ivey School of Business Case 905B08
	Mar 17	NO CLASS – SPRING BREAK	
6	Mar 24	Case analysis: New Century Financial	9-109-034
7	Mar 31	Case analysis: * Sino Forest	9-112-004 9-112-066 9-112-067
8	Apr 7	Case Analysis: Diamond Foods	9-113-055
9	Apr 14	Case analysis: Enron	9-109-039 9-104-075 Thunderbird TB0135
10	Apr 21	Case analysis: Enron, cont'd	
11	Apr 28	Case analysis: Computer Associates	9-110-045
12	May 5	Final Exam – Case to be announced	

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Course Outline for "Forensic Accounting" portion of course (HMD)

Fraud Examination by Albrecht, Albrecht, Albrecht & Zimbelman (5th ed.)

class number	date	time	chapter reading	topic	homework questions			
					discussion questions	true/ false	multiple choice	short case nr.
1	2/11/16	6:00-7:15 PM	1	Course Introduction & Nature of Fraud	1,3,4,8	1,2,3,5,17,18,27	2,4,5,7,13	11,13
2	2/18/16	6:00-7:15 PM	1	Course Introduction & Nature of Fraud	1,3,4,8	1,2,3,5,17,18,27	2,4,5,7,13	11,13
3	2/25/16	6:00-7:15 PM	2	WHY people commit fraud	2,3,5,6,7,8	2,4,6,10	1,2,6,12,14,18	4,5
4	3/3/16	6:00-7:15 PM	5	Recognizing SYMPTOMS of fraud	2,8,9,10	2,7,8,10,12,19	1,3,4,9,10,12,14	1,3
5	3/10/16	6:00-7:15 PM	11	Financial Statement Fraud	2,4,5,7,10,11	1,4,5,7,11,12,15,17	1,3,5,8,13	1
	3/17/16	Enjoy your SPRING BREAK						
6	3/24/16	6:00-7:15 PM	11	Financial Statement Fraud	2,4,5,7,10,11	1,4,5,7,11,12,15,17	1,3,5,8,13	1
7	3/31/16	6:00-7:15 PM		Mid-term Exam (1)				
8	4/7/16	6:00-7:15 PM	12	Revenue, Inventory & Fin' l Stmt Frauds	1,2,4,5,7	2,4,5,10,12	1,2,4,5,6,15,16,19,20,21,22	1
9	4/14/16	6:00-7:15 PM	12	Revenue, Inventory & Fin' l Stmt Frauds	1,2,4,5,7	2,4,5,10,12	1,2,4,5,6,15,16,19,20,21,22	1
10	4/21/16	6:00-7:15 PM	13	Liability , Asset & Disclosure Frauds	1,2,3,8,9,10, 14	1,3,4,7,10,12,14,15	1,2,3,5,9,10,13,14,17	6
11	4/28/16	6:00-7:15 PM	13	Liability , Asset & Disclosure Frauds				
	5/5/16			FINAL EXAMINATION				