CORE
CONCEPT

Financial Statement Fraud: Earnings Manipulation, Forensic Ratios and Journal Entry Testing

29 March – 2 April 2027
London - Central London four-star

Financial Statement Fraud: Earnings Manipulation, Forensic Ratios and Journal Entry Testing

Ref: 93_9351 **Date:** 29 March – 2 April 2027 **Location:** London - Central London four-star **Fees:** 23000 SAR

Introduction:

Financial statement fraud rarely starts with fake invoices; it starts with management under pressure to hit earnings targets, bending revenue cut-off, capitalising running costs or releasing reserves until the reported numbers no longer reflect the business. Auditors and boards often see the warning signs only after a restatement. This Core Concept course trains reviewers to detect earnings manipulation with forensic ratios, journal entry testing and targeted evidence work, and to respond through proper governance channels. Participants leave with a Financial Statement Fraud Forensic Review Plan.

Course Objectives:

- Assess the reporting pressures, incentives and override opportunities that make management manipulate reported earnings
- Recognise the mechanics of revenue recognition, capitalisation, reserve, related party and off-balance-sheet manipulation schemes
- Calculate forensic ratio indicators such as the Beneish M-Score and interpret divergence between profit, receivables and cash flow
- Design journal entry tests that target management override and apply first-digit analysis as a screening concept
- Gather corroborating documentary evidence and escalate suspected manipulation to the audit committee in a defensible way
- Build a Financial Statement Fraud Forensic Review Plan for an entity under review

Target Audience:

- Internal audit managers who review financial reporting risk and significant accounting judgements
- External audit managers responsible for fraud risk procedures on listed and private entities
- Audit committee members and board advisers who oversee the integrity of published accounts
- Financial controllers and reporting managers who own the period-end close and accounting estimates
- Forensic accountants and investigation leads who examine suspected accounting irregularities
- Risk and compliance managers who receive whistleblower reports concerning financial reporting

Course Outline:

Day 1: Earnings Pressure and the Anatomy of Financial Statement Fraud

- Fraud Triangle Applied to Earnings Targets and Executive Incentive Plans
- Earnings Management Versus Fraudulent Reporting: The Aggressive Judgement Spectrum
- Consensus Forecast, Debt Covenant and Bonus Pressure Mapping Worksheet
- Tone at the Top and Management Override Risk Indicators
- Corporate Accounting Scandal Timeline Review: Common Precursor Patterns

Day 2: Manipulation Schemes and the Auditing Standard on Fraud

- ISA 240 Revised: Professional Scepticism and Management Override Requirements
- Revenue Recognition Schemes: Premature Sales, Side Letters, Bill-and-Hold and Round-Tripping
- Improper Expense Capitalisation and Useful Life Extension Schemes
- Cookie-Jar Reserves, Big Bath Charges and Provision Smoothing
- Undisclosed Related Parties and Off-Balance-Sheet Special Purpose Vehicles

Day 3: Forensic Ratios, Journal Entry Testing and Digit Analysis

- Beneish M-Score Calculation and Eight-Index Interpretation
- Days Sales in Receivables Index, Gross Margin Index and Accruals Screening
- Journal Entry Testing Criteria: Post-Closing, Weekend, Round-Amount and Unusual User Entries
- Benford's Law First-Digit Analysis: Concept, Data Conditions and Limits
- Forensic Red Flag Matrix Linking Ratios, Note Disclosures and Cash Divergence

Day 4: Evidence, Response to Suspected Manipulation and Board Oversight

- Predication Assessment and Escalation Protocol for Suspected Manipulation
- Document Trail Reconstruction: Contracts, Delivery Records and Third-Party Confirmations
- Interviewing Finance Staff: Information-Gathering Sequence and Record Keeping
- Audit Committee Challenge Questions on Significant Estimates and Unusual Transactions
- Restatement, Disclosure and Auditor Communication Decision Tree

Day 5: Manipulation Case Work and the Forensic Review Plan

- Technology Distributor Case: Side Agreements Inflating Quarter-End Revenue
- Telecommunications Case: Network Operating Costs Reclassified as Capital Assets
- Trading Group Case: Circular Related Party Sales and Hidden Guarantees
- Financial Statement Fraud Forensic Review Plan Build
- Forensic Review Plan Defence Before a Mock Audit Committee Panel

Skills You Will Gain:

- Earnings Manipulation Recognition
- Forensic Ratio Screening
- Journal Entry Analytics
- Digit Frequency Testing
- Accounting Scheme Reconstruction
- Corroborative Evidence Gathering
- Audit Committee Escalation
- Professional Scepticism

Why Attend This Course:

- Take back a Financial Statement Fraud Forensic Review Plan tested against a mock audit committee panel
- Tell legitimate accounting judgement apart from deliberate manipulation when reviewing estimates and period-end entries
- Run quick forensic screens on any set of published accounts before signing off or approving them
- Work through real manipulation patterns with auditors, controllers and board advisers from several sectors

Conclusion:

Manipulated accounts leave traces in ratios, journal entries, note disclosures and the gap between profit and cash. The course moves from reporting pressures and the fraud triangle, through the mechanics of manipulation schemes and the auditing standard on fraud, to forensic ratios, journal entry testing and digit analysis, then to evidence gathering, escalation and audit committee oversight. The final day applies these methods to cases from several sectors and produces a Forensic Review Plan participants can apply to the next set of accounts they examine.