
Coverholder at **LLOYD'S**

Financial Shenanigans

Antje Seiffert-Murphy, CFA

FCIB Webinar - 24 August 2017

Actions and omissions that distort a company's financial performance and condition

1 – Recording revenue too soon or of questionable nature

2 – Recording bogus revenue

3 – Boosting income with one-time gains

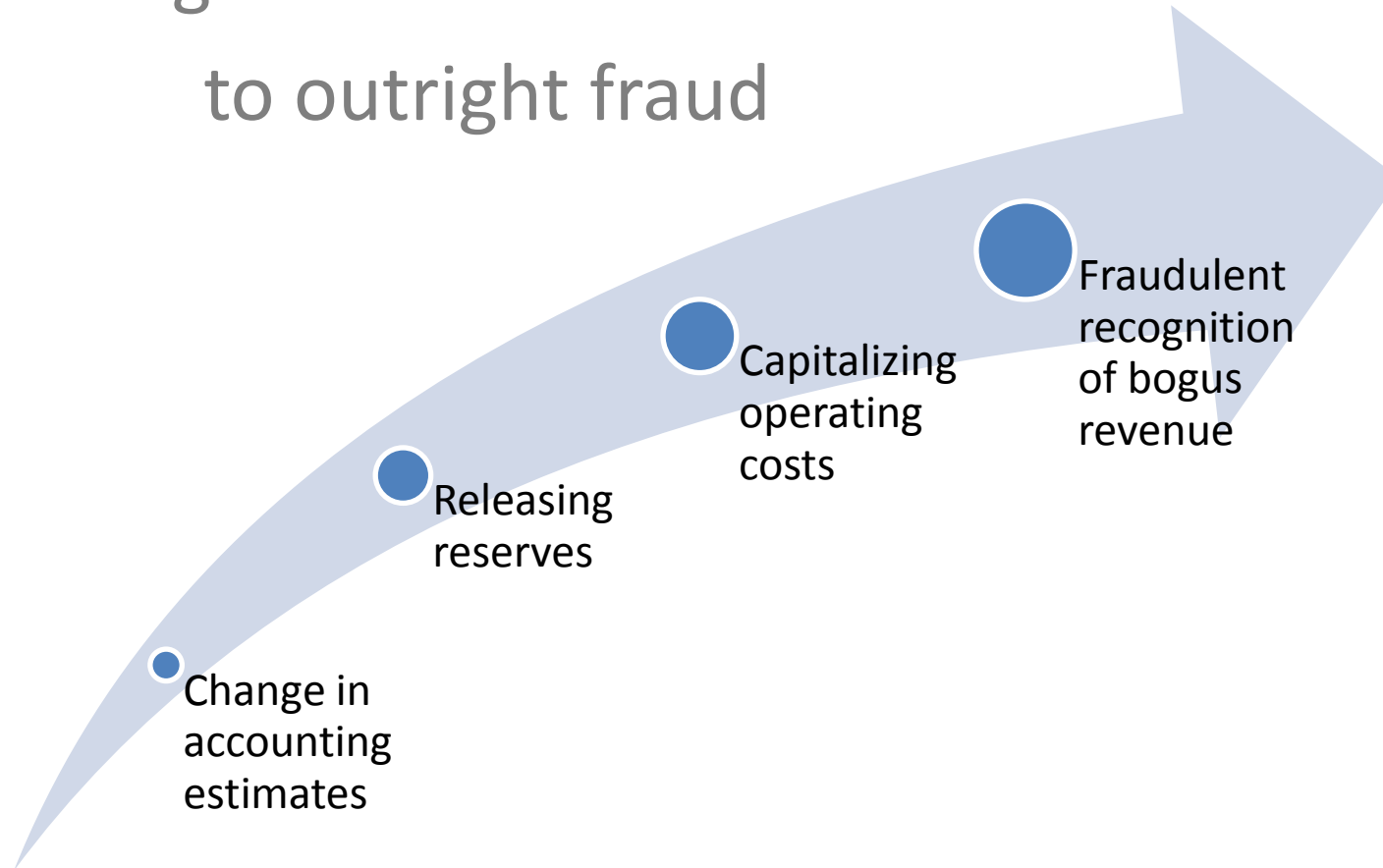
4 – Shifting current expenses to a later or earlier period

5 – Failing to record or improperly reducing liabilities

6 – Shifting current revenue into a later period

7 – Shifting future expenses to the current period as a special charge

From benign
to outright fraud



Inflate or deflate current period earnings,
improve credit risk profile

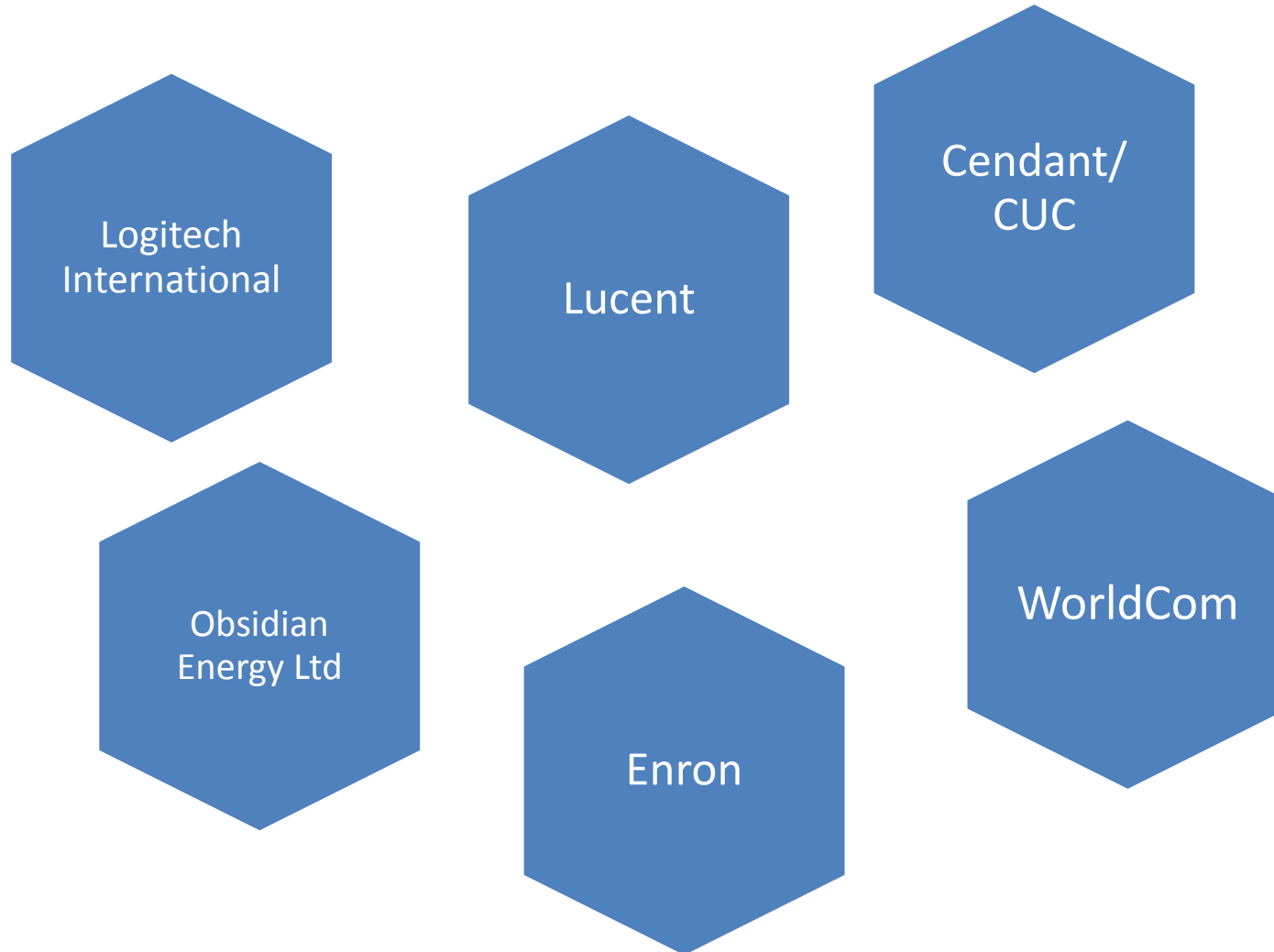
Improved financial picture helps:

- Access to open credit terms and (larger) credit lines with suppliers
- Obtain financing and / or meet covenants
- Increased company valuation / stock price
- Rating from agencies
- Management Bonuses / options tied to valuation

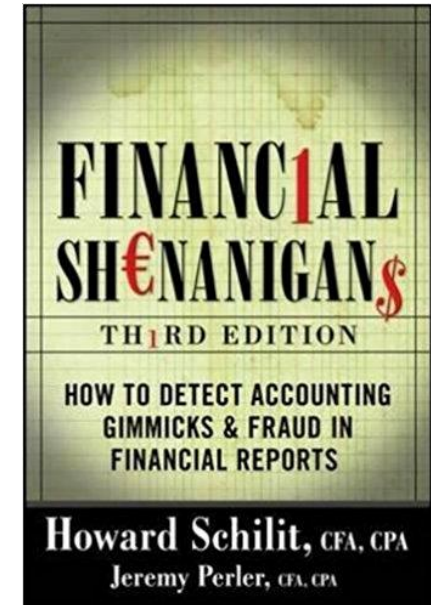
- Weak internal controls
- Growth of industry doesn't match with company's
- Companies under financial pressure
- Complex corporate structures, use of SPV
- Small fast-growth or highly acquisitive firms
- Background management raises questions
- Aggressive accounting policies

- Large firm – small unknown auditor
- Firm headquarter different country than auditor
- Performance too perfect, i.e. ratios and growth in turnover
- Read Notes and if changes in accounting principles and estimates
- Create common-size balance sheet and statement of operations
- How do CFO and net income compare and evolve over time?
- Firm acquires underperforming assets but continues to post “perfect” results

A Few Financial Shenanigans Cases



Howard Schilit, Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports, May 2010



“16 Financial Shenanigans that got companies into tons of trouble”

<http://www.businessinsider.com/financial-accounting-shenanigans-2012-11#special-purpose-vehicle-spv-1>

Read the SEC press release on financial and accounting fraud cases <https://www.sec.gov/spotlight/financial-reporting-and-audit-task-force.shtml>

Antje Seiffert-Murphy, CFA
Trade Credit and Political Risk Underwriter

Antje.seiffert-murphy@equinoxglobal.com

D: +1 646 593 8682

N: +1 917 680 2318



US Office Address

Equinox Global Inc.

25 Broadway, 9th Floor, New York, NY 10004

More information about Equinox Global and Lloyd's of London:

www.equinoxglobal.com & www.lloyds.com