

MONTCLAIR STATE UNIVERSITY
DEPARTMENT OF ACCOUNTING, LAW AND TAXATION

ACCT 527 FORENSIC ACCOUNTING

Instructor: Dr. James A. DiGabriele, CPA/ABV/CFF
Office Phone No.: (973) 655-7288
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Office: Partridge 306
Credit Hours: 3

Text: *Forensic and Investigative Accounting*
Authors: D. Larry Crumbley, Lester E. Heitger, G. Stevenson Smith
5rd edition, CCH Publishers

Other: Supplemental Forensic Accounting literature is posted on blackboard and assigned relative to the coursework as the class progresses. Assignments and course format are subject to change.

Grading: Course grade will be determined on the basis of your performance on two examinations, two case studies/presentations, critical reading/writing assignments and the final research paper/presentation. The exams equal 60% of your final grade (30% MT, 30% FE). The case studies/presentations equal 15% of your final grade. There critical reading/writing & other group assignments equal 10% **due 3 days before class via e-mail to Professor, late submissions will not be accepted, it is preferred this assignment be done in groups, guidance for critical readings will be posted on blackboard** of your final grade if one is missed all 10 points towards your final grade are lost). The final research paper/presentation equals 15% of your final grade **directions for this assignment are posted on blackboard** (grade weights are subject to change at Professors discretion).

Classroom performance, homework, and attendance are mandatory; failure to comply will affect your final grade. **NO MAKE UP EXAMS ALLOWED EXCEPT IN EXTREME EMERGENCIES (DETERMINED BY THE PROFESSOR).**

Alphabetic grades are calculated using the following numeric grading Scale:

A = 95-100	C+ = 77-79	D- = 60-63
A- = 90-94	C = 74-76	F = 59 & Below
B+ = 87-89	C- = 70-73	
B = 84-86	D+ = 67-69	
B- = 80-83	D = 64-66	

NOTE: TURN OFF ALL CELL PHONES AND BEEPERS DURING CLASS. (NOT EVEN ON VIBRATE). IF YOU DO NOT, YOU WILL BE ASKED TO LEAVE CLASS.

AIM OF COURSE:

- a. To develop a foundation and background of the evolution of forensic accounting.
- b. To enable students to develop an understanding of forensic accounting's role in today's accounting profession as well as the future of accounting.
- c. To enable students to develop an understanding of the role, responsibility and requirements of a forensic accountant in a litigation environment.
- d. To acquaint each student with the basic elements of typical forensic engagements.

SPECIFIC COURSE OBJECTIVES:

- a. To introduce students to the forensic and investigative accounting.
- b. To explain forensic accounting education, the institutions that are inherent to the field and the areas that require forensic accountants.
- c. To introduce and familiarize students with fraudulent financial reporting and how it is detectible.
- d. To introduce students to indirect methods of reconstructing income and money laundering.
- e. To introduce students to the types of litigation services that are provided by Forensic Accountants as well as the fundamentals of handling evidence.
- f. To provide practical examples of engagements that Forensic Accountants are often involved in including commercial damages, economic damages and business valuation.
- g. To provide a technical view of the course content through case studies and timely published articles.

COURSE OUTLINE:

NOTE: The course outline designates what readings/handouts/assignments etc. are posted on blackboard. Please be sure to have all posted documents available for the designated class. Schedule & assignments are subject to change at the instructor's discretion.

CLASS SCHEDULE

WK	Day	Curriculum	Assignment
		PREREQUISITE	READ SAS 99, Critical Reading Instructions, Case Study Method
1		<p>Syllabus/Introduction <i>Chapter 1</i> Introduction to Forensic & Investigative Acctg</p> <p><i>Chapter 2</i> Forensic Acctg Education, Institutions & Specialties</p>	<p>Exercises: 4; 28; 47(BLACKBOARD) Reading(s): (BLACKBOARD) (1)Gray: Forensic Accounting and Auditing: Compared & Contrasted To Traditional Accounting & Auditing.</p> <p>Exercises: 9; 11; 12; 15; 22; 40</p>
2		<p><i>Chapter 3</i> Fraudulent Financial Reporting</p>	<p>Exercises: 7; 9; 31; 47; 70 Readings: (BLACKBOARD) (1) SAS 99 Questions: BLACKBOARD (2) Risk Assessment using Annual Report of public company Class discussion reading (BLACKBOARD) (3) DiGabriele: "An Empirical Investigation of the Relevant Skills of Forensic Accountants"</p>
3		<p><i>Chapter 4</i> Detecting Fraud in Financial Reporting & Accounting Irregularities</p>	<p>Exercises: 14; 25; 41; 42 (1) Fair Value Research Discussion Brief: Select a current issue in fair value write up using case method highlighting potential accounting irregularities and associated risks. (2) Required Reading : Carmichael (3) Reading (Blackboard) Summary FAS-157-ASC820</p>
4		<p><i>Chapter 6</i> Indirect Methods of Reconstructing Income</p>	<p>Exercises: 4; 24; 26; 31; 40; 62 IN CLASS EXERCISE: Indirect methods (BLACKBOARD) Readings: (BLACKBOARD) (1) IRM Indirect Methods (2) Determining Economic Income for Divorce Purposes when the spouse owns a closely held business. (3) Divorce and the Self-Employed Meet Economic Reality (4) Unreported Income & Hidden Assets</p> <p>Critical Reading & Writing Assignment (BLACKBOARD) DiGabriele: Implications of Regulatory Prescriptions & Audit Standards on the Evolution of Forensic Accounting in the Audit Process.</p>
5		<p>Exam I Chapters 1,2,3,4,6,</p>	<p>Study Group Work</p>
6		<p><i>Chapter 8</i> Litigation Services Provided by Accountants</p>	<p>Exercises: 4; 21; 22; 25 In Class: Comprehensive Problem (P. 8-43) Readings: (BLACKBOARD) (1) DiGabriele: Litigation Support and the Forensic Accountant (2) Shusterman Evidentiary Hearing (3) DiGabriele: Nature of the Engagement (4) DiGabriele: Lessons Learned From the Med Diversified Case</p> <p>Class Discussion Reading (BLACKBOARD) DiGabriele: The Adversarial Bias of Accounting Experts in Financial Litigation: An Empirical Analysis of compromised Objectivity in Expert Testimony.</p>

CLASS SCHEDULE

WK	Day	Curriculum	Assignment
7		<p><i>Chapter 7</i> Money Laundering & Transnational Financial Flow</p> <p><i>Chapter 11</i> Litigation Support in Special Situations</p>	<p>Exercise: 13 Readings: (BLACKBOARD) (1) Money Laundering: Ring Around the White Collar.</p> <p>Exercises: 7; 8; 10; 15 Readings: (BLACKBOARD) (1) A Primer in Valuing Closely Held Companies... (2) When a "Simple" Analysis Won't Do: Applying...</p> <p>Critical Reading & Writing Assignment (BLACKBOARD) DiGabriele: An Observation of Differences in the Transparent Objectivity of Forensic Accounting Expert Witnesses.</p> <p align="center">HW FOR NEXT WEEK: BE PREPARED TO DISCUSS CHAPTER 10, EXERCISE 21</p>
8		<p><i>Chapter 10</i> Commercial Damages</p>	<p>Exercises 9; 16; 20; 21 Readings: "The Pancake Palace: A Case Study" Class Handout for Lost Profits Assignment: ABC Case Study due week before (READINGS & ASSIGNMENT ARE ON BLACKBOARD)</p>
9		<p><i>Chapter 10</i> Commercial Damages</p>	<p align="center">CASE STUDY - ABC PEST CONTROL CASE STUDY - GROUP PRESENTATIONS</p>
10		<p><i>Chapter 12</i> Economic Damages</p>	<p>Exercises 3; 4; 5; 8; 13; 15; 22 IN CLASS REVIEW: EXHIBITS FOR ECONOMIC DAMAGES Class Discussion Reading (BLACKBOARD) (1) DiGabriele: Core components in estimating economic damages Class Discussion Reading (BLACKBOARD) (2) Economic Foundations for Employment Case Analyses Assignment: Jane Doe Case Study due week before (REVIEW / READINGS / ASSIGNMENT ON BLACKBOARD) REVIEW ACTUAL ECONOMIC DAMAGES REPORT</p>
11		<p><i>Chapter 12</i> Economic Damages</p>	<p>CASE STUDY - Personal Injury GROUP PRESENTATIONS</p>

CLASS SCHEDULE

WK	Day	Curriculum	Assignment
12		<p><i>Chapter 17</i></p> <p>Business Valuations</p>	<p>In Class Exercise: 17/ GROUP WORK</p> <p>Readings: (BLACKBOARD)</p> <p>(1) DiGabriele, Gender, Valuation</p> <p>(2) Lippett & Mastraccio, Valuing Small Businesses</p> <p>Critical Reading & Writing Assignment (BLACKBOARD)</p> <p>(3) DiGabriele, <i>Moderating Effects of Acquisition Premiums</i></p>
13		<p><i>Chapter 17</i></p> <p>Business Valuations</p> <p>Income Methods, Cap/Discount Rates</p> <p>Fairness Opinions</p>	<p>Exercises: 1; 5; 6; 8; 9; 15; 16</p> <p>BREAK OUT IN CLASS</p> <p>Class Discussion Readings: (BLACKBOARD)</p> <p>(1) Fama & French The Cross Section of Expected Stock Returns</p> <p>(2) DiGabriele-SOX & Private Company Discount</p> <p>(3) DiGabriele Court Preferences</p>
14		<p>EXAM II-Comprehensive</p>	<p>Study</p>
15			<p>Research Paper: Presentation</p> <p>SEE BLACKBOARD FRAMEWORK FOR WRITING RESEARCH PAPER & PRESENTATION.</p>

