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Financial Shenanigans: How To Detect Accounting Gimmicks & Fraud In Financial Reports, 3rd Edition (Professional Finance & Investment)



Synopsis

From the "Sherlock Holmes of Accounting," the tools you need to stay a step ahead of the crooks.

Howard Schilit is the authority on forensic accounting. *Financial Shenanigans* is invaluable reading for market participants seeking to identify deceptive behavior in company financial statements.

Julian Robertson, legendary investor and founder, Tiger Management: A must-read! The authors teach forensic financial statement analysis in an easy-to-digest format with lots of war stories. Guaranteed to help investors in their quest to avoid ticking time bombs in their portfolios.

Marc A. Siegel, board member, Financial Accounting Standards Board: This is a timeless guide to better understand how financial malfeasance can be spotted early. *Financial Shenanigans* teaches all of us fraud-detection-made-easy.

Jules Kroll, pioneering private investigator and founder of Kroll Associates and K2 Global: Required reading for every investor who desires to avoid financial losses. This new edition is a classic and better than ever.

Thornton L. O'Quinn, author, *Quality of Earnings*: If the original *Financial Shenanigans* was the Bible of detecting accounting frauds, then this latest version is the Talmud of cooked books. Regulators, audit committee members, and business journalists should be required to read this work if they are involved in public companies.

Boris Feldman, partner, Wilson Sonsini Goodrich & Rosati, Palo Alto: An incisive and entertaining review of the recipes used by corporations and executives to "cook the books." It's a must-read for investors, lawyers, corporate directors, and anyone else interested in the integrity of the accounting and governance process.

Joseph A. Grundfest, professor of law and business and codirector, Rock Center on Corporate Governance, Stanford Law School: About the Book: With major financial scandals popping up in greater numbers—and with more inevitably on the way—it has never been more important for you to understand what dishonest companies do to trick investors. Since the early 1990s, *Financial Shenanigans* has been helping investors unearth deceptive financial reporting at the most critical time—before they suffer major losses. Now, the third edition broadens its focus to include the newest, most sophisticated techniques companies use to mislead investors. Referred to as the "Sherlock Holmes of Accounting" by *BusinessWeek*, Howard Schilit and renowned forensic accounting expert Jeremy Perler take you deeper into the corporate bag of tricks, exposing new levels of accounting gimmickry and arming you with the investigative tools you need to detect:

- Earnings Manipulation Shenanigans:** Learn the latest tricks companies use to exaggerate revenue and earnings.
- Cash Flow Shenanigans:** Discover new techniques devised by management that allow it to manipulate cash flow as easily as earnings.
- Key Metrics Shenanigans:** See how companies use misleading "key" metrics to fool investors about their financial performance.

Financial Shenanigans brings

you completely up to date on accounting chicanery in the global markets, shining a light on the most shocking frauds and financial reporting miscreants. This insightful, detailed guide written by recognized experts on the subject provides the knowledge and tools you need to spot even the most subtle signs of financial shenanigans.

Book Information

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Customer Reviews

Howard Schilit, Ph.D., CPA, is the founder and chief executive officer of Schilit Forensics LLC. Dr. Schilit is a pioneer in the field of detecting accounting tricks in corporate financial reports that mislead investors. Howard was the founder and CEO of CFRA, a global forensic accounting research organization. He has been a leading spokesman before the US Congress, the SEC, and global media outlets about the causes and early warning signs of accounting tricks in public filings. Dr. Schilit began his career as an Associate Professor of Accounting at American University and continues to teach and lecture all over the world. Dr. Schilit holds his doctorate in Accounting from the University of Maryland. Jeremy Perler, CFA, CPA, is the Director of Research at Schilit Forensics and co-author of *Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports* (3rd edition, 2010). Previously, Jeremy served as the in-house Forensic Accounting Analyst for Coatue Management, a long/short equity hedge fund; Director of Research for CFRA; and auditor for PricewaterhouseCoopers. In addition, Mr. Perler serves on the FASB's Financial Accounting Standards Advisory Council (FASAC) as a representative of the Investor Community. Jeremy holds a Master of Accounting and a BBA from the University of Michigan Ross

School of Business.

I personally loved this book for the following reasons: Very clear graphics to follow. Very clear break down of how companies manage money inappropriately. Easy to follow and actually a fun read from a typically dull subject. If anything the only two downsides from this book are below: The transitions between sections and sub sections are repetitive, and a little annoying. The author occasionally talks down to the reader, and I think this is unintentional. The overall content, author knowledge, and easy to read breakdown of accounting gimmicks gets a 5 from me.

This book does a very good job of laying the foundation of accounting fraud on the income statement, balance sheet, and cash flow statement, the traditional accounting fraud that brought down companies like Enron, Worldcom, et. al. Accounting fraud has gone beyond Enron, though using similar concepts, such as off - balance sheet accounting. But we are in a brave new world of derivatives, Repo 105, and other sophisticated accounting gimmicks that now amount to trillions of dollars worldwide. This debt is not accounted for in companies, investment banks, and brokerages but they are there, creating massive instability in the financial world. I would have liked to have seen more on the the advancing post 2008 accounting frauds, and how banks and insiders continue to cover their financial misdeeds in this manner. This seems like the final phase of accounting fraud, where the entire system is now jeopardized. Now we are seeing accounting fraud affect and destroy entire markets as financial managers especially "up the ante" in their boldness for committing these crimes, and I would like to see these shenanigans covered from the technical aspects of accounting in this brave new world of massive fraud.

The information is old but (I think) it is still relevant. Of course financial managers have become more smart these days but the information in this book still serves as a good starting point when reviewing financial statements, especially while working on financial statement models and valuation model inputs respectively. For example, after reading this book one can easily understand that EBIT or EBITDA is not simple mathematical calculation on the income statement. This book provides somewhat exposes black box research level approach when looking at company's financial statements. One last important point, after reading this book one can easily understand the reason and value of why to dive deep in company reports to catch often overlooked details.

My major IS accounting, but that is not the only reason I would have others read this book. I think

that it is a really important read for most everyone! It does not get too technical or confusing: as long as you have a basic understanding of financial statements and what they are supposed to represent, this is a useful read where you can get a look at how some of the great financial scandals of the last few decades were perpetrated and how they were discovered. Anyone working in any business should be aware of how financial statement fraud can occur and the circumstances that preclude it. The authors also put some humor in it, because sometimes you just have to, especially in the face of some of the worst shenanigans that have occurred! As human beings, it helps to deal with some bad things by infusing some "funny" into them.

Nobody should carry out illegal activities or present unethical behaviour. Nevertheless, precisely because this book is so straightforward about what MUST NOT be done, that this book turns out to be very interesting and useful. Moreover, problems and wrongdoings can be suitable to precisely convey and illustrate material concepts, especially those on the borderline of what is acceptable.

I bought the book to learn more about statement of cash flows manipulation. The book covers much more than that and does so in an entertaining manner. I liked the capsule summaries in every chapter. The case studies were short and to the point. They involved companies I would not have thought would be involved in dishonesty and deception. Of course the "classics" were covered - Enron and World Com. Great reading for a small investor. There's a lot of "how to read between the lines" in disclosure statements. It's the author's third edition - updated for all the new ways companies try to cheat their investors and creditors.

This is a nice reference for auditors and examiners. The book explains in clear concise prose how a number of real fraudulent financial schemes worked, some of them surprisingly creative, others amazingly brazen and dishonest. The details of the schemes and the actors opens a window into the real world of financial fraud and the realities of human nature and modern business. This is a good resource for auditors and examiners.

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