CREATIVE ACCOUNTING, FRAUD AND INTERNATIONAL ACCOUNTING SCANDALS

Michael Jones (Editor)



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Preface	

Enron, WorldCom and Parmalat are well-known accounting scandals. However, what is not so well known is that every country has its own accounting scandals. The basic motivation for this book is to explore the role of accounting, particularly creative accounting and fraud, in accounting scandals across different countries. I therefore approached people from different countries to see if they would be prepared to help me. In almost every case they did not say 'what accounting scandals?' but 'which accounting scandals would you like me to write about?'

Accounting scandals, by their nature, are extreme cases. They generally involve creative accounting and fraud. The title of the book reflects this: Creative Accounting, Fraud and International Accounting Scandals. This book covers 58 high-profile accounting scandals across 12 countries. However, it also deals with many other cases of creative accounting and fraud.

Accounting scandals are inherently interesting because they indicate extreme abuse of financial reporting. They show how, in extremis, the accounting numbers can be manipulated so as to deceive and defraud. This book provides an insight into the methods of creative accounting and fraud, the motivations that underpin the scandals and the consequences of the scandals, both in the short term and the long term.

The book aims to inform. The information is presented in as accessible a way as possible. There is a focus on presenting the big picture. The book should prove very interesting to readers. It provides a global approach to the topic. It covers 12 countries with representatives from Australasia (Australia), Asia (China, India and Japan), Europe (Germany, Greece, Italy, the Netherlands, Sweden, Spain and the UK) and North America (USA). It therefore represents leading global economies, developed and developing countries as well as the majority of the world's population. In addition, there is a chapter dealing with bank failures in the recent credit crunch.

The book is presented in three broad sections. In the first section I explore the basic themes which underpin the book. I examine the creative accounting environment, motives, methods and impression management. I site this within the academic and largely descriptive professional literature.

In the next section, individual authors, all native to their respective countries, provide an in-depth look at the major accounting scandals and instances of creative accounting that have occurred since the 1980s. Each author contextualizes the accounting issues and looks

at the motives, methods and consequences of the creative accounting and the accounting scandals. These chapters give a unique insight into the global nature of the problem. There is also a final chapter in this section looking at the consequences of the recent global banking crisis.

To write this book I depended upon the expertise of the individual authors. This book would not have been possible without my reliance on their research and local knowledge. To the best of my knowledge the facts which they have described and on which this book is based are correct.

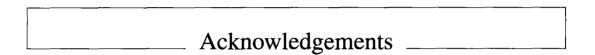
The authors were given general parameters within which to write their chapter. I rely upon the expertise and factual accuracy of the individual country author chapters to synthesise and distil the material. The material in Chapters 21–23 and Appendices 1 and 2 thus relies principally on these individual chapter contributions. Generally, I have not changed the accounting terminology that they have used. Therefore, within the book certain accounting terms are used somewhat interchangeably such as inventory or stock; accounts receivable or trade receivables or debtors; accounts payable or trade payables or creditors; property, plant and equipment or fixed assets. This is because different countries have their own terminology or use International Accounting Standards Board terminology.

In the last three chapters, I draw out some general themes from the chapters. I look at the methods used, the motivations for the creative accounting, fraud and accounting scandals, the role of powerful individuals, and I highlight failures of internal control and external auditing. Finally, I investigate the long-term impact of accounting scandals on the regulatory environment.

This book has several novel and original features:

- An accessible overview of the methods, motives and nature of creative accounting and fraud drawing on prior literature and past accounting scandals.
- For the first time, an in-depth study of international accounting scandals in both developed and developing countries.
- Individual chapters are written by experienced authors native to each country.
- A global synthesis of the motivations, methods, control failings and consequences of major accounting scandals is provided.
- An historical overview of accounting scandals and creative accounting is provided from the ancient period into the 1980s.
- A chapter looking at the banking crisis of 2008/9 from an accounting perspective.

As such, this book provides a rare glimpse into the murky world of accounting scandals. It will be ideal for the general reader, professional accountant and businessman worldwide. It is also well suited for undergraduate students taking courses in forensic accounting and fraud. It may also prove a useful supporting book on more general accounting and finance courses. The book is uniquely positioned to support specialised MSc courses in accounting and finance or MBA courses.



I am extremely grateful to the 21 authors who have helped me to write this book. Without them, a book of this type would have been impossible. They have provided the detailed factual knowledge of their particular scandals and the national accounting environments in which those scandals occurred. I have relied upon the factual accuracy of their work when preparing the rest of the book.

I am very appreciative of the help and unfailing support of my partner, Jill Solomon, whose insightful comments have helped me immensely. I should also like to thank Steve Hardman, Jenny McCall and the team at John Wiley for their help and support. Finally, last but certainly not least, I should like to thank Jan Richards for her unstinting patience and hard work in turning my generally illegible scribbling into the final manuscript.

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