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Financial Statement Fraud Detection and Possible link to Company Failure

Adrian Gepp  
*Bond University*, adgepp@bond.edu.au

Kuldeep Kumar  
*Bond University*, kuldeep_kumar@bond.edu.au

Sukanto Bhattacharya  
*Bond University*, susantsau@yahoo.com.au

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Financial Statement Fraud Detection
and possible link to company failure

Adrian Gepp with supervisors Kuldeep Kumar & Sukanto Bhattacharya

Fraud Score Calculator

Inputs
Current Financial Statement and Filing
Past Financial Statements and Filings
Industry-Specific Variables
Macroeconomic Variables

Accounting and Finance Ratios
Ratio_1, Ratio_2… Ratio_n
Log(Ratio_4), Log(Ratio_5)
Ratio_3*Ratio_5,
Ratio_2 * Ratio_(n-1)

Apply Detection Techniques
Discriminant Analysis, Logistic Regression, Survival Analysis Techniques, Decision Tree Techniques, Artificial Neural Networks …

1. Select Best Techniques
2. Apply Combiner Function
3. Calculate Fraud Score

Fraud Score

- HIGH-PRIORITY INVESTIGATION by forensic accountants, prosecutors and other domain experts
- MONITORING INCREASED Answers and explanation requested from managers
- LEGITIMATE financial statements
- ALL CLEAR

Pre-processing

GEPP RESEARCHES POSSIBLE LINK between Fraud Score & probability of company failure