Finding the Fraud

Detecting fictitious sales and receivables involves comparing financial statements over a period of time. In the questions below, the more "yes" answers, the more likely fraud is a factor.

- Is the company negotiating financing based on receivables?
- Have receivables grown significantly?
- Have receivables increased faster than sales?
- Is the ratio of credit sales to cash sales growing?
- Compared with sales and receivables, has cash decreased?
- Compared with sales, has the cost of sales fallen?
- Have shipping cost dropped, compared with sales?
- Has accounts receivable turnover slowed?
- Are there unusually large sales toward the end of the period?
- Have there been substantial sales reversed in the first period following the increase?