

ACC410- CASE PROJECT – EXPANDED ANALYSIS, REPORT No. 2;
Maximum Points = 5 + 3 points Optional Extra Credit

(3) (a) *Optional*: Calculate the immediately preceding enumerated ratios or other metrics using the competitor's financial statements or industry benchmarks for the comparable fraud period of your group's company;

(3) (b) *Compare the ratios and metrics computed in I. 3(a) with those of your company's unrestated figures and ratios computed in I. (2) above.* In particular, note any unusual trends, anomalies or other analytic results that are (i) related directly to the frauds identified in Report I and those that may signal a red flag to investigate further, even if it is not directly related to your particular case's fraud(s).

II. Other red flags (2 points; fractional points are applied)

(1) Report on all insider trading (amounts and by whom) during the fraud period, as alleged in the complaints. [Hint: Look to the consolidated amended complaints table of contents and portions of the complaint under "Scienter" or "Motive and Opportunity"].

(2) Discuss any other motive "pressure" for the fraud alleged or you may have in mind – provide some support or basis for your ideas? (e.g., inflating the price of the stock or assets and revenues to obtain bank loans, issue securities or acquire another company, etc.). [Hint: How is the company's cash flow over two or three years – is it declining, etc.; look to the notes to the financial statements to see if the company is near breaching debt covenants, etc.; were their new issuances of stock during the fraud period?, etc.].

(3) Discuss any turnover in financial personnel or auditors immediately before or during the class period? [Hint: look at the Proxy Statements for changes in CFOs, Controllers, Audit Committee members, other senior financial officers change in Auditors).

(4) What did the Management & Discussion & Analysis (the "MD&A"; Item 7 to the Form 10-K) report in the first fraud period Form 10-K, as defendants' explanation for trends or changes in line items from the period immediately preceding the first fraud year? Only concern yourself with those trends that are relevant to the accounting or reporting problems at issue in your case. *See also* Text at 439-443 (Nike) and p.208.

(5) Provide the corrected explanation in the MD&A as reported in the Amended 10-K or Annual Report for number 4 above. Again, *see* Item 7 to the Forms 10-K.

(6) Discuss differences between the MD&As (items II. (4) and II. (5)).¹

Note 1: For items II (4) and II (5) you should paraphrase as much as possible or use your own words. Spelling and grammar count.

Note 2: All cheating and plagiarism rules apply to this report (*see* "Syllabus, Text & Related" content area of the Blackboard) (must be submitted through TurnItIn).

¹ The above report should be packaged together with a table of contents. The cover page should indicate the following: ACC 410 and section number; Group number, names of participating group members, name of the company and date.