Impact of accounting fraud on different parties involved
Briefly introduce accounting fraud

- The intentional misrepresentation or alteration of accounting records regarding sales, revenues, expenses and other factors for a profit motive such as inflating company stock values, obtaining more favorable financing or avoiding debt obligations.
Impact of accounting fraud on different parties

Faking their record, keeping to make it look like they were growing and hugely profitable

- **Impact of accounting fraud on employees**
  - Lose the indemnification
  - Damage confidence in the company

- **Impact of accounting fraud on shareholders**
  - Undermine investors’ trust in the reliability of mandated corporate filings
  - No one wants to do any more investments
Impact of accounting fraud on different parties

- **Impact of accounting fraud on suppliers**
  - affecting their margins

- **Impact of accounting fraud on customers**
  - lose their source of supply
  - Face to inflation

- **Impact of accounting fraud on government**
  - Undermine market mechanisms
  - Suffered economic losses
Consequence of accounting fraud

- **The company would be bankruptcy**
  - As the executives put the money into their own pockets, the company didn’t get anything

- **Criminal offenses**

- **Personal Consequences**
  - Devastating on both friends and family
Case of accounting fraud

- The scandal of Enron

- Enron went bankrupt
- All of employees in Enron lose their job, also nearly all of their retirement savings
- The participants would be responsible for their behavior
- Disrupt social and economic order

All of these related to “accounting fraud”