In a quest to uncover more about the audit profession and motives behind fraud, students Brynn Sedar, Paige Morris, and Sage Walton use scholarly articles and previous education to further their knowledge. Looking from the view of the victim, Brynn Sedar uses articles such as "Corporate Fraud Prevention, Detection: Revisiting the Literature" by Deepa Mangala and Kumari Pooja as well as "Psychology of Fraud: Why Good People Do Bad Things" by Chana Joffe-Walt and Alix Spiegel to dive deeper into the effects of fraud on society. From a similar angle, Sage Walton uses an article entitled "The Joint Effect of Ethical Idealism and Trait Skepticism on Auditors' Fraud Detection" by Inez Verwey and Stephen Asare to gain a better understanding of ethics and motives behind an auditor's role in fraud. To reach a better understanding of not only fraud-doer's motive and lifestyle but also specific case scenarios, Paige Morris uses articles like "Creative Accounting, Fraud, and International Accounting Scandals" by Michael Jones and others.

According to the Standards on Auditing as seen in the article by Deepa Mangala and Pooja Kumari, fraud is "an intentional act by one or more individuals among management, those charged with governance, employees and third parties, involving the use of deception to obtain an unjust and illegal advantage" (Mangala and Kumari 35). In the audit profession, there appears to be (to external users of financial information) a correlation between the term 'fraud' and 'error.' However, these two terms are vastly different since fraud is deliberate, whereas error is a mistake. There are many different views of how fraud can be determined, such as "asset misappropriation and financial statement fraud," according to the Statement of Auditing Standard (Mangala and Kumari 35). A rise in fraudulent behavior should allow auditors and managers to set alerts of special concern to help identify and stop fraud. Through our research, we will understand how and why fraud occurs and how it should be managed in the modern era.

One of the main focal points of the article titled, “Corporate Fraud Prevention, Detection: Revisiting the Literature,” is to describe the “red flags” associated with fraud. The Association of Certified Fraud Examiners states most fraud cases (92%) have red flags (Mangala and Kumari 36). “Red flags are events and conditions indicating motivation and opportunity for potential or actual fraud occurrences” (Mangala and Kumari 36). Although red flags are crucial to assessing the risk of fraud, auditors tend to overlook them. Red flags are not certain signs of fraud, but finding these indicators is essential in developing an auditor’s professional skepticism. While our research will not detail it, Mangala and Kumari discuss the fraud triangle, a famous and widely used evaluation of red flags. The groups within the triangle are ‘pressure,’ ‘rationalization,’ and ‘opportunity.’ The fraud triangle, developed by Donald Cressey, has been used and tweaked over the years by many other researchers.

Discussing the ways that management can be involved with fraud, Mangala and Kumari outline that “criminal background, uncooperativeness with auditors, and high turnover of top management enhance fraud possibilities” (Mangala and Kumari 37). Management can use financial incentives or employment pressures to perpetrate fraud, and those who commit fraud usually have immoral behavior or a pessimistic mindset. Thus, poor company hiring practices are a significant red flag because they can result in amoral leadership. The article also mentions managers who are challenging or unhelpful with their auditors are a red flag and are the ones committing fraud. Another major red flag is the correlation between fraud incidents and an internal stock sell-off.

Industry functionality is another risk factor for fraudulent behavior. With increased pay and changes in the industrial environment, there are added pressures to commit fraud. A vital area of preventing fraud is implementing proper internal controls within a company. Without

adequate internal controls, the ability for someone to commit fraud increases dramatically. Appropriate segregation of duties, along with sufficient background checks of potential employees, can significantly reduce the potential for asset misappropriation (Mangala and Kumari 39). Therefore, auditors are adamant about management's proper implementation and execution of internal controls. The text even mentions, "… weak internal control acts as a red flag" (Mangala and Kumari 39).

While understanding red flags may help to find fraud, an understanding of red flags is also helpful in inhibiting fraud from happening. "Fraud prevention methods help to predict fraud before its occurrence" (Mangala and Kumari 40). When fraud is detected, the auditor (or the person who caught the fraud) should document information leading to the fraudulent behavior, so preventative measures and monitoring can begin. Although an external auditor can detect fraud, it is important to note that company management and employees are accountable for finding and inhibiting fraud. "Managers and board of directors are primarily responsible for fraud prevention and detection. They set up the tone of the top management that shows how organization is committed to combat fraud" (Mangala and Kumari 40). Corporate governance plays a key role in fraud prevention due to its responsibility for culture and a code that outlines the ethicality upon which employees should base their decisions.

As part of maintaining their responsibility for fraud deterrence and recognition, management may create an internal audit function. The difference between internal and external auditors is that internal auditors reside within an organization, whereas external auditors are outside the business. The internal audit function includes finding fraudulent behavior and instilling proper internal controls. External auditors may find fraud within an organization, but internal auditors are much more likely to do so. However, the public overemphasizes the concept

of external auditing—many think that external auditors can ensure no fraud exists. External auditors are to act with diligence and professional skepticism to provide reasonable assurance of their opinions; however, external audit opinions do not guarantee that the financial statements do not have material misstatements, including potential impacts from fraud.

While internal and external audits may both find fraud, employees can often become the revealers of fraud. Whistleblower protection and policies can encourage employees to come forward with suspicions of fraud. Examples of whistleblower protection may include an anonymous hotline to report fraudulent activity; however, some would argue a hotline is unnecessary if the business has established proper communication channels. Whistleblowing protections are extremely important for a company to implement because it lets staff know they should not be afraid to speak up about inappropriate or illegal behavior.

Forensic accountants can also be used to find and investigate fraud. These accountants use their accounting knowledge and skills to delve into fraud matters, and the field of forensic accounting is growing. The need for forensic accounting is related to "increasing fraud and the inability of auditors to detect fraud" (Mangala and Kumari 41). However, forensic accountants can be hired for reasons other than fraud detection. According to the article, "Forensic accountants should be given participative role in preparation of audit plan rather than consultive role" (Mangala and Kumari 41). Additionally, forensic accountants deal with situations other than fraud, helping strengthen internal controls and promoting accurate reporting within a company.

Assessing fraud risk involves understanding red flags, detective and preventative measures, and internal company roles. Lastly, the article emphasizes that companies should have anti-fraud policies "to distinguish between fraud and misconduct" (Mangala and Kumari 41).

These anti-fraud policies should communicate a zero-tolerance policy for fraudulent behavior, setting the ever-important tone at the top.

The NPR article titled, “Psychology of Fraud: Why Good People Do Bad Things,” details the fraud committed by Toby Groves, who was noted as following the rules when he was younger. The NPR radio show includes excerpts from an interview with Toby about his brother’s run-in with bank fraud. Toby ensured his father that he would never do something like his brother. Toby broke his promise when he committed bank fraud that was detrimental to business and individual’s jobs.

Toby was known for his ethicality in business, and many questioned how he could have committed bank fraud. In 2003, Toby’s successful business was growing and experiencing monetary problems. In 2004, he realized that his company was $250,000 in debt, which began his downfall. To combat the debt, Toby got a home loan in which he lied about his income. When he chose to lie on the application, Toby did not see anything wrong, and mentioned that he did not think through the false number for his income.

At this point, Toby realized that his company was in more financial trouble than he initially thought. He decided to take out an ‘air loan’ (fake). To take out this fake loan, Toby needed employees at his company to assemble all the required documentation, asking his staff to disregard ethics. The employees willingly complied with Toby’s request. Then, Toby took things a step further by asking external sources to help with the execution of this fake loan, and they also complied. These circumstances lead to a conclusion that fraud is not just about the fraud-doer/perpetrator, but also those who willingly abet the fraud, like an auditor, employees, external sources, and others.

Lamar Pierce, an economist, mentions that 80-90% of individuals believe they would never be able to carry out fraud as Toby did (Pierce, Psychology of Fraud, 2012). However, Pierce also says that a vast majority of people would be able to execute this type of fraud, and we are not capable of fully comprehending the types of choices we may have to make in the future. Pierce's conclusion led to research by Ann Tenbrunsel. Ann's research shows how a situation or dilemma is presented changes how we perceive an ethical dilemma. Her findings show, "if you're thinking about a business decision, you are significantly more likely to lie than if you were thinking from an ethical frame" (Tenbrunsel, Psychology of Fraud, 2012). His business mindset rather than an ethical framework allowed Toby to justify stealing money to put his company in a better position for short-term success.

In most scenarios, fraud is perceived as unintentional, leading to another significant discovery within fraudulent behavior. Psychologists explain that people help perpetrators carry out fraud because they like the perpetrator. Another psychologist, Francesca Gino, notes that people feel empathic towards individuals and compelled to support them. These psychological and economical discoveries have contributed new thoughts behind instilling regulations within the business landscape.

The International Public Sector Fraud Forum assembled an article about fraud's impact on the human, government, reputational, industry, environmental, security, financial, and business impacts of fraud. Before considering fraud's impacts, the article mentions the Five Principles of Fraud and Corruption. These include, "There is always going to be fraud, finding fraud is a good thing, there is no one solution, fraud and corruption are ever-changing, and prevention is the most effective way to address fraud and corruption" ("Total Impact of Fraud"

4). Fraud is an important issue to consider in the workplace and it should be encouraged to those in public industries to understand its complex and encompassing implications.

When fraud is committed, it has enormous societal impacts. Humans suffer from fraud committed against the public in many ways, including emotional reactions, mental health concerns, social harm, and financial distress. The article also mentions identity theft fraud, which can cause detrimental problems to an individual's finances. Although there is extreme individual harm through fraud, fraud can also affect families along with the greater community. Those who are looking to target individuals are known to target assistive care services. This shows that fraudsters are willing to put those already struggling in extreme danger. Fraud in public sectors increases skepticism of services that are a part of everyday life. Additionally, fraud can trickle down to other associated businesses and force further downfall. Fraud can also lead to human harm through hazardous activities or products offered by the fraudulent company or individual.

Along with humans, fraud impacts the government and its reputation. When fraud impacts humanity, it can impair the ability of the government to provide services that achieve its goals. Significant reputational harm from fraud is attributed to the government, making individuals skeptical about giving the information needed for public services. Also, humans will be suspicious of the industry in which they fall victim to unethical and illegal behavior. Fraud can lead individuals to alter the industry's climate, and it can affect the type of employee they are. Thus, this can damage the economic and international reputation that an entire country can have.

Public sector fraud can also impact government systems and industry through the allocations of resources to "investigations and compliance agencies, prosecution services, courts, tribunals, and legal aid, prison, welfare system, identification systems, and other public bodies"

("Total Impact of Fraud" 18). Thus, the government is forced to focus its efforts on fraud instead of other public service needs. Furthermore, fraud may result in burdensome regulatory standards, which may favor larger corporations better able to withstand the financial impacts of such regulation. Public sector fraud also caused major rifts within different industries and rely on charities and community service organizations to pick up more responsibly due to the damage that fraud can have on individuals' lives.

The presence of fraud impacts the environment and security. Fraud can damage the environment, for example, through efforts that boost pollution. It can also have an impact on the additional work needed to restore the environment, which includes "any clean-up and maintenance costs" ("Total Impact of Fraud" 22). Fraud also harms "national security, international standing, organization security, information security, and other nations" ("Total Impact of Fraud" 24). Individuals are affected by the large-scale issues presented.

Companies must value the monetary value of fraud to conduct business properly. "Measuring the financial loss resulting from fraud provides a metric from which the public body can make decisions on how much it should invest" ("Total Impact of Fraud" 26). Some of the ways that the article mentions calculating fraud include "indicated fraud, detected fraud, estimated fraud levels, unknown fraud, and recovered fraud loss" ("Total Impact of Fraud" 26-27). Moreover, businesses and their respective costs are impaired by fraud. "Measuring these costs can help demonstrate a more complete picture of the actual financial cost to a public body" ("Total Impact of Fraud" 30). The total costs of fraud surrounding a company are vast. The article outlines seven different fraud business costs; "assessment costs, detection costs, investigation costs, response costs, restitution for third party victims, program review and audits, and retrofitting or redesigning programs" ("Total Impact of Fraud" 30-31). These costs show the

breakdown of financial limitations fraud puts on a business. These costs are vital to the organization and function of a company.

In conclusion, this article by the International Public-Sector Fraud Forum outlines the significance and impact that fraud can have on the world. The existence of fraud is not going away. Understanding what the world and society can do to detect and prevent fraud is essential. The impacts outline the importance of taking proper measures to serve the public's interest to avoid the consequences of fraudulent behavior and acting unethically.

"The Joint Effect of Ethical Idealism and Trait Skepticism on Auditors' Fraud Detection" speaks to studying auditors' judgments of fraud through the lens of ethical theory. It is impossible to eradicate all biases when entering a situation as an auditor—however, it is crucial to analyze and understand how ethical theory and trait skepticism affect judgment. Ethical idealism is a normal trait for a reasonable person because it considers others' well-being when evaluating one's consequences of their actions. The study is significant because ethical idealism can often affect an auditor's ability to detect fraud and find intentional material misstatements. As stated on page 382, "Ethical idealism is important in that it determines an auditor's tolerance for allowing a client to get away with an ethically questionable act while skeptical disposition is important in determining how evidence is generally sought and evaluated" (I. G. F. Verwey, S. K. Asare). Auditors can evaluate their ethical idealism to help keep it 'in check' and retain professional skepticism when conducting audits.

Trait skepticism is the deposition a person may have to remain skeptical in evaluation situations. The audit profession has debated the importance of understanding someone's levels of skepticism going into an engagement. Trait skepticism can complement ethical idealism effectively when an auditor has predisposition to lean more skeptical during audit engagements.

Trait skepticism greatly affects an auditor's judgement when it comes to how much evidence they collect to test an assertion and to judge whether or not that assertion is fairly stated and prepared by management.

An auditor's personal ethical beliefs can affect their judgment and approach to collecting evidence and questioning the client when discrepancies arise. The article also discusses how auditors often balance the interests of many different stakeholders—actual shareholders, consumers, or the management they interact with consistently throughout the engagement. The degrees of separation the auditor experiences with these groups can affect how highly each group's interests are valued, the well-being of the management that the auditor interacts with may feel more pressing since those are people with faces and names.

Auditors must follow specific procedures to help combat many ethical dilemmas and potential pitfalls of personal bias. Auditors are expected to assess objectively and based on audit evidence. Auditing is a delicate balancing act—while maintaining professional skepticism, an auditor must address their biases and ethical considerations while working on an engagement. Trait skepticism is seen as a tool that can enhance and increase an auditor's overall professional skepticism. Professional skepticism is integral for auditors to determine thresholds for convincing audit evidence. While there are expectations and procedures for what and how much evidence to collect, the auditor's judgment is ultimately used to decide if the evidence is sufficient and convincing. And an auditor's judgment is predisposed based on their levels of idealism and skepticism.

Based on testing, the article records a scale of idealism and skepticism and how it impacts the effectiveness of planning to detect fraud during an audit. A chart from the article depicting and explaining the variations of idealism and skepticism follows.

Table 1 Taxonomy of approach to deception based on idealism and trait skepticism

	Low skepticism	High skepticism
Low idealism	Trusting pragmatist They are predisposed to require relatively less convincing evidence before concluding that an assertion is fairly stated. They are pragmatic in orientation towards consequences and believe that harmful consequences may sometimes be necessary in a pursuit of a greater good Their fraud planning is likely to be relatively less effective because they are both predisposed to not questioning evidence and tend to be willing to accept the bad consequences of fraud if it produces good	Skeptical pragmatist They are predisposed to require relatively more convincing evidence before concluding that an assertion is fairly stated. They are pragmatic in orientation towards consequences and believe that harmful consequences may sometimes be necessary in a pursuit of a greater good Their fraud planning is likely to be relatively less effective because even though they are predisposed to questioning evidence, they tend to be willing to accept the bad consequences of fraud if it produces good
High idealism	Trusting idealist They are predisposed to require relatively less convincing evidence before concluding that an assertion is fairly stated. They are less pragmatic in orientation towards consequences and believe that it is always unnecessary or wrong to pursue a cause of action that harms others Their fraud planning is likely to be relatively less effective because even though they tend to be less willing to accept the bad consequences of fraud, they are predisposed to not questioning evidence	Skeptical idealist They are predisposed to require relatively more convincing evidence before concluding that an assertion is fairly stated. They are less pragmatic in orientation towards consequences and believe that it is always unnecessary or wrong to pursue a cause of action that harms others Their fraud planning is likely to be relatively more effective because they are both predisposed to questioning evidence and tend to be less willing to accept the bad consequences of fraud

The first two sentences in each cell define the individual's approach to evidence and consequences. The third sentence applies an individual's skeptical and ethical predispositions to the fraud planning task

Skepticism and idealism can affect the procedures, professional judgment, and likelihood of fraud detection. As the chart shows, an auditor with low skepticism would be predisposed to collecting less audit evidence because they are less suspecting of wrongdoing. An auditor with high skepticism would naturally collect more evidence because they are skeptical of others having high ethical standards. Low idealists are less inclined to pursue fraud detection because they are more willing to accept fraud if it produces beneficial results (the means justify the ends). In contrast, high idealists believe fraud is wrong regardless of the outcome. Auditors with high skepticism and idealism will create audit plans more likely to detect fraud.

In conclusion, this article explores vital factors in an auditor's judgment when working on an engagement. It is often difficult to thoroughly understand all the factors that can impact an

auditor’s judgment but analyzing the relationship between ethical idealism and trait skepticism can help auditors understand their own decisions while engaged in an audit.

Businesses that experience fraud can experience both high financial and ethical fallout costs. Companies that can prevent fraud from occurring avoid these high fraud costs. This article details important controls that can help companies protect against asset misappropriation and fraudulent financial reporting.

Setting a culture in which companies communicate the importance of preventing fraud is one of the most effective and inexpensive types of preventive control. Organizations with well-defined anti-fraud policies often lessen the chance of it occurring. However, having and communicating an anti-fraud policy is insufficient. Management must exemplify a culture in which the policy is followed. Companies should also make the fraud policy, such as a code of ethics, separate from other policies to highlight its importance. Best practice would also encourage employees to acknowledge they understand and will follow the company’s ethical guidelines.

Since the Enron and WorldCom scandals, the rise of anonymous fraud hotlines, where employees can report fraud without fear of retaliation, have become increasingly popular. However, like the fraud policy, implementation and communication about the resource must be effective. Some companies have set up a hotline but were ineffective in communicating the resource to employees. While setting up an anonymous hotline for employees may be viewed as more of a detective control, establishing a culture that encourages employees to act ethically and keep each other accountable is a preventative control. Another method for creating an ethical culture is thorough hiring procedures such as conducting background checks and reference

evaluations. The quality of personnel a company hires can be a tremendous asset in reducing the overall risk of fraud occurring.

The article also suggests that businesses conduct fraud vulnerability reviews. These reviews help expose any potential areas at risk for fraud. These reviews analyze how assets could be misappropriated and business transactions with more inherent risk, such as e-commerce transactions. Vulnerability reviews are a powerful risk assessment tool that can help management be preventative rather than reactive to fraud. If the reviews expose weaknesses, internal controls can be created or redesigned to emphasize those weak areas, including more rigorous processes to reduce temptation, pressure, and opportunity (the fraud risk triangle) to commit fraud.

Accountants are familiar with the important measures to protect companies from fraud, such as physical and authentication controls, firewalls, and passwords. These tools are common in the digital age; however, they are integral to protecting businesses' sensitive data and mitigating opportunities to commit fraud. These processes are also evolving, such as two-factor authentication. Two-factor authentication requires two authentication modes, such as a password and a fingerprint.

While the article stressed preventative controls, the study also mentioned advanced detective techniques employing data analytics that are not often used to combat fraud but have proven highly effective. These analytical methods include discovery sampling, data mining, and continuous auditing. Frequent use of these techniques can be more effective at detecting fraud because they use more rigorous verification methods that do not solely rely on human operation. As previously mentioned, a company with good detective controls creates an anti-fraud culture that prevents fraud. Overall, accountants are often in many of the positions to oversee and perform these internal controls. The most important factor is to ensure that there are clear-cut

trainings on fraud detection and prevention and a tone that is a set from the top that has a zero tolerance for fraud. The use of multiple methods can only increase businesses protection against fraud; however, it is vital to have a policy that is binding for employees and is not only seen through writing but action as well.

While fraud of varying degrees has been committed throughout human history, the article "Accounting fraud: A literature review," from Volume 9 of the *Risk Governance and Control: Financial Markets & Institutions* focuses on the 2002 catalysts to the SOX legislation and the revolution in the accounting industry to improve fraud prevention and detection tendencies. This article introduces the motives and methods of fraudulent behavior. It describes fraud as "intentional manipulation of financial statements, which are done to create an illusion about a company's wealth" (Tutino and Merlo). Specifically, there needs to be "intentional manipulation," with an intent to deceive external users of accounting information. This deceit is used to improve investor or creditor perception of the company, often to increase share prices or obtain loans.

In this article, significant focus is spent on analyzing corporate governance shortcomings and subpar ethics and fraudulent education. Corporate governance regulations can significantly impact the managerial and accounting perception of fraud and the public's faith in a company. Lacking these rules and regulations means that any internal boards may lose sight of the importance of independence and may 'blur lines' regarding the qualifications and motives of board committees, management, and everyday employees. Thus, having sound corporate governance is imperative because financial scandals have resulted in greater scrutiny, especially for larger companies, about membership in the boards of directors and other internal committees.

In addition to corporate governance, everyday practices and workplace culture are crucial to understanding the dangers of fraud concerning management and employees. For example, ethical policies and the 'tone' of management affect a firm's exposure to internal fraud. In the past decade, social, moral, and ethical behavior has become vital to any successful company. With the steep increase of access to information gained by the public due to social media and immediate news, companies must be more cautious than ever about the type of management and degree of scandals to which they are exposed. While simply educating employees can have a visible impact on susceptibility to fraud, many other factors can lead to fraud; therefore, fraud prevention must be approached from multiple angles. All these concepts come together in Carrol's Model of Corporate Social Responsibility; be profitable, compliant with laws and ethics, and attuned to what society needs and wants from industries.

Finally, the fraud triangle is a well-known theory used to detect and explain large and small-scale fraud. It is comprised of three sides: opportunity, pressure, and rationalization. Historically, the increased presence of these components has resulted in higher chances of fraud occurring. Opportunity to commit fraud without detection, external or internal pressures, and the ability to rationalize their behavior, can persuade individuals to commit illegal acts they otherwise would not commit.

As the understanding of methodologies and motives behind fraud improves, companies need to continually evolve their ethics and fraud defense tactics. Simple education can go a long way in ensuring the company, from top management down, are all aware of the importance of organizational ethics. Alongside this, auditors and forensic accountants must be mindful of the behaviors and perspectives of fraud-doers—to work effectively; these modern detectives must get into the mindset of the perpetrators. Overall, the role of fraud and forensic accounting will

continue to grow alongside the evolution of technology. This field is more crucial than ever, requiring creative and computational skills.

In the book *Creative Accounting, Fraud, and International Accounting Scandals*, Michael Jones analyzes the dilemma accountants face in reporting for the company's or investors' best interest. Since accounting standards occasionally have wide latitude for interpretation, "creative accounting" describes the legal-limit flexibility within the accounting industry regarding financial reporting. According to Michael Jones, there are four main ways of exploiting the flexible nature of accounting. These four ways are increasing income, increasing assets, decreasing expenses, and decreasing liabilities. By impacting one of these four avenues, the financial performance and position of the company are altered, affecting the perceptions of potential capital investors. The range of alteration can be broad, anywhere from premature reporting to falsifying financial performance and from reclassifying financial positions (such as debt) to hiding them completely. Even if some of these creative accounting techniques are legal, the questionable ethicality can impact countless when used to benefit the company instead of external stakeholders. Potential victims include auditors, shareholders, bankers, customers, vendors, legal entities, and others.

Companies have used many methods of altering financials to mislead external stakeholders. Creative accounting aims to increase/decrease profit on the income statement, increase net worth on the balance sheet, and display increased cash flow on the statement of cash flows. For example, Enron "[treated] loans from merchant bankers…as up-front payments (sales) for contracts" (Jones et al. 48), thereby increasing revenues and hiding debt. Other companies have used a 'big bath' technique in which expenses are recorded prematurely to make future years look more profitable. Some companies have used methods to revalue their balance sheet

positions. This revaluing can happen in many ways, including adding an intangible asset like the brand, personnel, trademarks, etc. or reclassifying debt to equity.

If a company collapses due to accounting fraud, shareholders have the possibility of losing substantial amounts of money. According to the text, another creative accounting technique that leads to fraud is “temporarily adjusting” the appearance of a bad year’s financial statements. The temporary adjustment is made with the expectation that the company will perform incrementally better in the future to offset the bad year. However, better times may not materialize, and the ‘flexibility’ may slowly increase over time to keep up with expectations until outright financial statement fraud occurs.

From the perspective of the fraud doer, countless scenarios can enable one to rationalize creative accounting, even after it has turned into a fraud. The article discusses four incentive types that allow individuals to justify their wrongdoing. The four categories include personal situations such as job stability and salary increase, market/investor expectations, special circumstances such as the current economy, mergers, and legality, and finally, the ability to cover up their actions. These incentive types can affect anyone, from the Board of Directors to general accountants.

Overall, there are many distinct reasons and ways for management and accountants to interpret financial statements to improve their company’s standing. Incentives, pressures, and opportunities all play a prominent role in rationalizing unethical actions which may result in fraud. Unfortunately, with both creative accounting and fraud, the public interest is not at the forefront of the perpetrators’ minds; instead, the perpetrators are trying to manipulate the public’s perception to benefit the company.

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