

Universiti Teknologi MARA

Creative Accounting Detection System

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ABSTRACT

Financial statements imperative sources of information about a particular company or institution. There will be different types of approaches in generating financial statements because a company will have different financial items compared to other companies. All of the financial statements are used to predict future earnings of a company or institution, used in decision making, to determine and supervise the current financial health, to study the financial performance and to reduce occurrences of any inconveniences. Due to the high level of competencies in evaluating the financial strengths, Creative Accounting Detection System (CADS) is developed as a tool to analyze the financial performance of a company or institution. This CADS system is actually a type of forensic accounting system that analyzes and assists the respective stakeholder to identify which companies or institutions reported true figures, to assess important financial data and support in making right decisions. There are three main accruals implemented in achieving its objectives which are to improve the current practices of enforcement officer in evaluating the clients that comprises of many companies or organizations and to ensure a comprehensive analysis of financial data could be executed within a short period of time. CADS also uses ratios quality to distinguish the best-performing firms from the poor performers.

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CHAPTER 1

INTRODUCTION

Financial statements are vital sources of information about companies or institutions for variety of users. Regardless of types, users such as investors, creditors, government bodies, and managers use financial statements for various purposes, such as to predict future earnings of an institutions or companies, to make important decisions, to determine and assess an institution's or company's current financial health, to evaluate companies or institutions financial performance and to reduce uncertainties.

Accordingly, based on the significance of financial statements, this product could help the respective stakeholders to identify which companies or institutions reported true figures, to assess important financial data, and support them in making a right decision. CADS uses ratios and accruals quality approaches to distinguish the best-performing organization from the poor performers using financial information.

1.1 Problem Statement

Financial strength of an institution is the key criteria to sustain. Regulatory or Authoritative Body normally will require any institution under their supervision to submit annual reports for monitoring purposes. However with limited level of competencies in evaluating their financial strength, the Regulatory or Authoritative Body is in need of a friendly tool that can assist them to perform