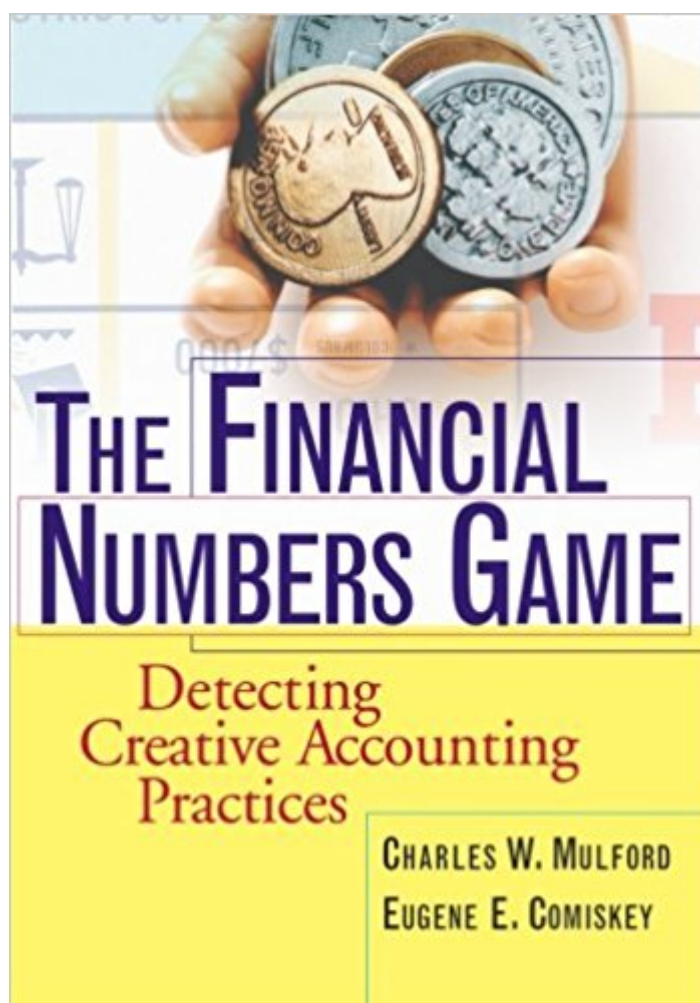




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# The Financial Numbers Game: Detecting Creative Accounting Practices



## Synopsis

Praise for *The Financial Numbers Game* "So much for the notion 'those who can, do-those who can't, teach.' Mulford and Comiskey function successfully both as college professors and real-world financial mercenaries. These guys know their balance sheets. *The Financial Numbers Game* should serve as a survival manual for both serious individual investors and industry pros who study and act upon the interpretation of financial statements. This unique blend of battle-earned scholarship and quality writing is a must-read/must-have reference for serious financial statement analysis." -Bob Acker, Editor/Publisher, *The Acker Letter* "Wall Street's unforgiving attention to quarterly earnings presents ever-increasing pressure on CFOs to manage earnings and expectations. *The Financial Numbers Game* provides a clear explanation of the ways in which management can stretch, bend, and break accounting rules to reach the desired bottom line. This arms the serious investor or financial analyst with the healthy skepticism required to drive beyond reported results to a clear understanding of a firm's true performance." -Mark Hurley, Managing Director, Training and Development Global Corporate and Investment Banking, Bank of America "After reading *The Financial Numbers Game*, I feel as though I've taken a master's course in financial statement analysis. Mulford and Comiskey's latest book should be required reading for anyone who is serious about fundamentally analyzing stocks." -Harry Domash, Investing Columnist, *San Francisco Chronicle* and Publisher, *Winning Investing* *The Financial Numbers Game* identifies the steps businesses may take to misstate financial performance and helps its readers to identify those situations where reported results may not be what they seem.

## Book Information

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## Customer Reviews

"The author's purpose is "to equip the financial statement reader to better detect the use of creative accounting practices and avoid the equity-investment and credit-granting mistakes." A book for it's time" ("Strategic Finance," March 2002) "With the collapse of Enron Corp., the January debut of the "Financial Numbers Game" could not have arrived at a more perfect time. The book focuses on educating investors on how to spot "creative accounting Practices." Co-Author Charles W. Mulford outlines a few basic guidelines for detecting-and preventing-creative accounting."

("SmartPros/Accounting News and Insights," March 2002)

To hide falling profits, some managers ply the flexibility found in accounting principles to alter their financial reports. Others go further and use fraud in their deception. It is vitally important that investors, analysts, and other users of financial statements detect these creative accounting practices as early as possible in order to avoid negative earnings surprises and potential share-price declines. The Financial Numbers Game identifies the steps businesses may take to misstate financial performance and helps its readers to identify those situations where reported results may not be what they seem. Authors Mulford and Comiskey also describe the flexibility built into the GAAP principles and discuss ways companies can take advantage of that flexibility while remaining within the rules of proper reporting. The role of the SEC in enforcing securities laws is explored, as are the specific statutes the SEC uses to prosecute those it deems to have gone too far. The authors present the results of a survey of important financial professionals on their views of the propriety of many financial reporting practices and on the steps they use to detect creative accounting practices. This survey shows a wide range of opinions on what is allowable and the best methods for detecting what is not allowable. The Financial Numbers Game presents an expert analysis of creative accounting procedures, as well as: Real-world examples of aggressive and fraudulent financial reports What signs to look for in detecting earnings manipulation Ready-made checklists for detecting accounting misdeeds Advice from such experts as analysts, CFOs, and CPAs Help for anyone interested in understanding true financial performance The Financial Numbers Game offers all users of financial statements a comprehensive resource for understanding, detecting, and avoiding the vast assortment of creative accounting techniques found in practice today.

Though I agree with many of the other reviewers that parts of the book were redundant and focused too much on basic accounting, this is one of the first books I have read that provided very specific

instruction on how to detect accounting irregularities. Most authors give an overview of what companies do, but this book gives you step-by-step on how to test a company's financials. For example, Chapter 11 identifies the ratio of adjusted cash flow from continuing operations to adjusted income from continuing operations as being sensitive to earnings changes. It goes on to explain how or where to find this information and how to apply it over several periods to be able to detect a trend, which may or may not indicate earnings manipulation. This level of information provides a financial analyst with the tools to be able to test and potentially identify accounting issues. There were many key financial areas were not addressed and the text book feel made it difficult to read too many pages at one time. However, the nuggets of valuable information on the specifics of detection techniques made it a worth-while read. John W. Taylor Tiarta L.L.C.

Mulford and Comiskey badly need an editor, clear-sighted and heartless. There is a wonderful book here, but it is maddeningly difficult to extract from the text as presented -- ill-organized and repetitive and in coverage, perhaps even haphazard (another reviewer note that they don't cover reserves -- true, and I wonder if this is simply an oversight?). That said, this remains the best introduction that I've seen to games managers play (and in which accountants cooperate). More extensive (and less jaunty) than Howard Schilit (Financial Shenanigans). For broader coverage on the limits of accounting, move on to Eccles, etc., "The Value Reporting (sic) Revolution." After the dust settles from the Enron imbroglio, M&C will surely want to do a new edition: here's hoping they keep the same wonderful content, with better focus and analysis.

This book was required for my intermediate accounting class. The book has lots of great examples, though can sometimes be a little bit of a heavy read even if you're interested in the subject. Still, overall, it was very informative. The book I ordered was used but in excellent condition at a great price!

In this well written book, the authors show you that there are far, far more ways of cooking a company's books that you would ever imagine. From not reserving for bad debts, to channel stuffing, to capitalizing operating costs, the ingenuity of executives apparently knows no bounds in their efforts to make things look better than they are. Just as important, the authors show you where to look in a company's financial statements for signs of the bad practices they describe. This should be a must read for anyone who does significant investing or who just wants to understand how the Enrons and Adelphias of the world manage to get away with their tricks so long.

Book arrived on-time and good condition. Love the paper back. detailed and had to read twice to gain the fist of key information

Delightful book, sharp, insightful, and very helpful. It's all simple logic, but knowing where to look helps a lot...

As I wrote for the Creative Cash Flow Reporting, this is also a very good book which explains a lot about company's practice to manipulate its financial reporting. For me the book was completely satisfying:-)

An excellent book. Very useful and clear. It is easy to understand, some things are out of date but the majority of things still apply. I love the fact that there are real life examples from companies that have played the Financial Numbers game

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