

Managing Credit Risk of a Corporate Borrower and Overview of Financial Statements Frauds



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How to monitor Corporate Borrowers ?



Financial Statements Fraud is a costly business problem.

Fraudulent financial reporting is indeed a serious problem. Infrequent though its occurrence arguably may be, its consequences can be widespread and significant. Although fraud in any form can be difficult to deter, fraudulent financial reporting can be reduced, perhaps substantially.—Extract from *Report of the National Commission on Fraudulent Financial Reporting, USA.*

Analysis of financial statements plays an important role in the credit rating of borrowers risk assessment and consequent risk based pricing. It is imperative for a banker to understand the generally accepted accounting principles (GAAPs), the revised Companies (Auditors Report) Order and the accounting disclosure practices followed by Corporates and Mid-Corporates.

In few cases, the financial statements are fraudulent. Fraudulent financial reporting can have significant consequences for the organization and for public confidence in capital markets. A financial statement fraud is a deliberate misrepresentation of financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in financial statements to deceive financial statement users.

The complexity of financial statement fraud has received considerable attention over the past few years and will continue to cause concern. The Reserve Bank of India has also recently revised its' Master Circular on Frauds – Classification and Reporting.

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Who is it for ?

This course is designed for those who regularly review and evaluate financial statements. Corporate Credit Appraisal Professionals, Auditors (both internal and external), will benefit from an enhanced understanding of what the numbers mean and the increased ability to detect red flags of fraud.

- Corporate Credit Risk Assessment Officers in Banks
- Internal and independent auditors
- Business professionals who review and evaluate financial statements

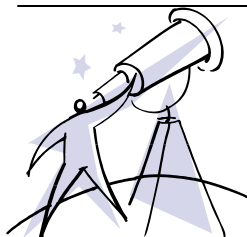
Information on Fraud

- The number and size of financial statements fraud are increasing.
- Many times a Financial Statement Frauds are committed by borrowers, affecting the bottom-lines of banks.

What will you learn ?

- Concepts of Credit Risk, Probability of Default,(PD), Loss Given Default (LGD) and Exposure at Default (EAD)
- Impact of NPAs on capital adequacy under Basel II Accord
- Risk based supervision and credit risk assessments
- Understanding various GAAPs for preparation of Financial Statements
- Contents of Financial Statements prepared by the borrowers
- Importance to examining notes to accounts
- Qualifications in Auditors' Report
- Vertical-Horizontal and Ratio Analysis of Corporate Financial Statements
- What is financial statement fraud
- COSO study on Financial Statement Frauds
- Identifying corporates for probable financial statement fraud
- Red flags of financial statement fraud
- Detecting and preventing financial statements fraud
- Use of Benish ratios to detect financial statement frauds
- Improving efficacy of stock audits, inspection visits

MOST OF THE CORPORATE FINANCIAL STATEMENT FRAUDS INVOLVE IMPROPER ACCOUNTING, HIDING TRANSACTIONS IN VARIOUS ACCOUNTS, FALSIFICATION OF ACCOUNTING DOCUMENTATION, MANIPULATION OF THE SYSTEMS AND THE LIKE. THUS, IT IS ESSENTIAL TO POSSESS EXCELLENT ANALYTICAL AND ACCOUNTING SKILLS TO FERRET OUT THE FRAUDSTER'S WRONGDOING.



Training Methodology:

The programme will consist of conceptual sessions followed by relevant practical experience sharing sessions.

Duration:

The programme duration is one day.

Programme Faculty

Mr. M. V. Lonkar, B. Com, FCA, Grad.CWA, CISA, CFE, BS7799LA, is a practicing chartered accountant, a Certified Fraud Examiner and a Certified Information Systems Auditor.

He has profound experience of 19 years in corporate borrower audit, bank supervision and audit of large complex banking and government organizations.

He is actively involved in imparting training to bank personnel in the matter of Basel II Accord Compliance, Risk Management including Credit Risk Management, Credit Modeling, Credit Monitoring, Risk Based Internal Audits, Bank Audits, Banking Supervision, and KYC Concepts. He has published many technical papers on banking. Some of his papers have also been published in the IBA Bulletin.