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APPLICATION OF FORENSIC ACCOUNTING TECHNIQUES IN DETECTION OF FINANCIAL STATEMENT FRAUD IN LARGE SCALE BUSINESS ORGANIZATIONS IN NIGERIA

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Abstract

This study investigated the application of forensic accounting techniques in detection of financial statement fraud in large scale business organizations in Nigeria. Two research questions guided the study and two null hypotheses were tested. Related literature pertinent to the study was reviewed which exposed the need for the study. Descriptive survey research design was adopted and a population of 172 management team of selected large scale business organizations in Anambra State. The entire population was studied without sampling because the size was manageable. Primary data was generated directly from the management team of selected large scale business organizations in Anambra State using a structured personal questionnaire. To ascertain the validity of the instrument for the study, the draft questionnaire was given to two experts in the field for face and content validation. The application of Statistical Package for Social Sciences (SPSS) version 21 using Cronbach Alpha reliability was used. The analysis test yielded coefficients of 0.88 and 0.90 with an overall score of 0.89 for internal consistency which was deemed reliable for the study. The data collected from the study were analyzed using mean and standard deviation to answer the research questions and one sample t-test used to test the null hypotheses. The results showed that the management team highly applied net worth technique and ratio analysis technique in detection of financial statement fraud in large scale business organizations in Anambra State. The results also showed that the application of net worth and ratio analysis techniques has significant effect on detection of financial statement fraud in large scale business organization in Anambra State

Nigeria. Based on the findings, the researcher recommended, among others, that large scale business organizations should adopt the most effective mechanisms in their fraud detection drives. This is because studies have shown that current fraud detection mechanisms commonly used are perceived as the least effective in combating fraud menace.

Keywords: Forensic accounting, financial statement fraud, fraud detection.

Introduction

In today's economy information and accountability have assumed a larger role in our society. This is why the company and allied matters decree (1990) has made is statutory for all registered companies in the country to prepare and present financial statement in accordance to the relevant accounting regulations. Every company and establishment issues financial statement at the end of each accounting year and the documents provides summary of assets and liabilities and revenues and expenditure by the enterprise during the period under review. This statement provides and enhanced perspective on the financial health of the company and a great deal of opportunities for adequate economic decision making and informed judgment.

International Financial Reporting Standard (IFRS) (2014) defined financial statement as a formal record of the financial activities of a business which include a balance sheet, an income statement and a statement of cash flows. Haruna (2013) maintained that the financial information of any company is contained in its financial statements and accounting reports just as the bio data of anyone is embedded in the person's curriculum vitae. This information is required to predict, compare and evaluate company's performance and to assist in economic decision making. Financial statements are prepared from accounting records maintained by the company ensuring that Generally Accepted Accounting Principles (GAAP) is followed to achieve some objectives. Odia and Ogiedu (2013) posited that corporate financial statement is the tool for reporting and communicating financial performance position and change in financial position of an enterprise as this enables users to make informed economic decision.

In modern business environment, which is becoming more competitive, the survival of firms, be it small or large; depend upon the strategic decisions made by management. This is, however done with the help of financial statements analysis, which is a big challenge to most countries having shortage of professional accountants and financial analysts as it is the case to our country. In this view, therefore, a sustained success will depend on how good decisions are made based on the proper analysis of financial statements. Financial statement are analyzed in order to use the information in financial statements to ascertain the profitability and financial soundness of the firm, to judge the managerial efficiency for inter form comparison of similar nature and to make valuable for costs. Business organizations have to analyze their financial statements or accounts by way of interpretation, simplification and transaction of facts and data contained in the financial statement (Kiikpoye, 2014). Financial statement analysis is critical in making effective stock investment decisions. The statement of financial position and statement of comprehensive income, cash flow statement and statement of owners' equity each offers unique insights. Combined, they can give you a good sense of a company's overall financial picture (Amina, 2015).

Financial statements are said to be effective when the information provided serves widely the requirements of the users. Financial statement is the main basis for decision - making on the part of a vast number of investors, creditors and other persons in need of accounting information, as well as a concrete expression of business performance, financial status and the social responsibility of listed companies. However, in recent years, cases of fraudulent financial statements have become increasingly serious (Chen, 2016). The demise of high profile firms like Enron and WorldCom in the United States of America, Northern Rock in the United Kingdom, Metagelshaft in Germany, Parmalat in Italy, Afribank Plc, Union bank Plc, Bank PHB, Spring Bank Plc, Oceanic bank, Intercontinental bank plc, African Petroleum Plc, Fin Bank Plc, Cadbury Plc in Nigeria (Onwuchekwa, Erah & Izedonmi, 2012; Ifeanyi, Olagunju & Adeyanju, 2011) have shown incidence of financial statements fraud as their financial statements were robustly dressed. With the high amount of reported fraud cases and the damages it causes to companies and investors, it becomes increasingly more important to detect such fraudulent activities.

Fraud is one important reason for the failure of many companies and it especially causes damage in capital markets because investors, creditors and financial analysts base their decision on the publicly available financial statements. Fraud is a serious problem in developing nations. It is so endemic that it is gradually becoming a normal way of life in both public and private sectors of the economy. In capital markets, the existence of fraudulent financial statements causes a big threat to investors' trust to companies and affects their investment decisions (Sorkun & Toraman, 2017). Financial statement fraud is a deliberate misstatement of material facts by management in the books of accounts of a company with the aim of deceiving investors and creditors. This illegitimate task performed by management has a severe impact on the economy because it significantly dampens the confidence of investors. Financial statement fraud is defined by the Association of Certified Fraud Examiners (ACFE) (2018) as the deliberate misrepresentation of the financial condition of an enterprise by intentionally or omitting amounts or disclosure in the financial statements so as to deceive their users. ACFE goes on to point out that financial statement fraud is usually a means to an end rather than an end in itself: when people manipulate accounting books they may be doing it to" buy time" towards quietly fixing problems that prevent the company from achieving its expected earnings or complying with loan contracts: also, to obtain or renew financing that would not be granted or would be smaller if honest financial statements were provided.

Financial statement fraud can surface in many different forms, although once deceptive accounting practices are initiated, various systems of manipulation will be utilized to maintain the appearance of sustainability (Arunkumar, 2015). Common approaches to artificially improving the appearance of the financials include: overstating revenues by recording future expected sales, understating expenses through such means as capitalizing operating expenses, inflating assets' net worth by knowingly failing to apply an appropriate depreciation schedule, hiding obligations off of the company's balance sheet and incorrect disclosure of related party transactions and structured finance deals. The cost of financial statement fraud is very high and it cause acute damage to the reputation of the organisation concerned. Financial statement fraud undermines the reliability, quality, transparency, and integrity of the financial reporting process and jeopardizes the integrity and objectivity of the auditing profession, especially auditors and auditing firms. Financial statement fraud diminishes the confidence of the large scale business organizations in the capital markets, as well as market participants, in the reliability of financial information and as a consequence makes the business organization less efficient (Okoye & Ndah, 2019).

Large scale business organization may be a public company which is duly registered with the Corporate Affairs Commission (CAC). In Nigeria, a company is formed under the Companies and Allied Matters Act (CAMA, 2004) by being registered with CAC and obtaining a certificate of incorporation from the Commission. According to the Accounting Technicians Scheme West Africa (ATWSA) (2009), a large scale business organization is an enterprise with fixed assets exceeding ten million naira (₦10, 000, 000). Large scale industries are classified on the basis of nature of products manufactured by them (www.travel-university.org, 2012). Thus, there are consumer goods industries, which produce articles of consumption like textiles, food products, leather goods, among others. Large scale business organizations contribute immensely to the economic development of a nation. According to Jimah (2010), large scale business organizations provide revenue to the government through payment of taxes such as company income tax. Such taxes are used for the provision of social amenities like good road networks, stable electricity supply, pipe borne water, low cost housing units and the likes for the benefit of the general public.

Large scale business organizations over the years have made efforts in detecting and preventing financial statement fraud but the main attribute of fraud are the processes in which it is carried out. The increased sophistication and complexities of information systems have created vulnerabilities that can be exploited to damage organizations by compromising confidential personal information, allowing unauthorized access to sensitive projects and intellectual property, and by concealing financial statement frauds and misappropriation of assets. In order to assess the nature and extent of these threats, to acquire and analyze evidence and to maintain a proper chain of custody, forensic accountants must possess a basic understanding of forensic techniques. While there are strong research concerns for detecting false financial statement fraud in developed countries, in Nigeria, very little attention has been given to this area in accounting research, especially in the use of forensic accounting techniques to predict the probability of fraud occurring in a firm. While we acknowledge that some empirical studies that relates to financial statement fraud has been conducted in Nigeria (Ifeanyi, Olagunju & Adeyanju, 2011, Faboyede & Mukoro, 2012), these studies did not focus on how forensic accounting techniques can provide insights for detecting financial statement fraud.

Forensic accounting techniques are mainly used to detect and deter financial information manipulation that becomes more complex as a result of advanced information technology. Forensic accounting primarily focuses on the well-structured investigation of corporate frauds and corruptions. Forensic accounting is one of the newest area in the accounting science. As a discipline, forensic accounting use qualitative and quantitative methods to solve underlying issues in financial information manipulation (Ozcan, 2019). Therefore, Forensic accounting is necessary towards reducing frauds, fraudulent activities and corruption capable of destroying national image and economic growth. In Nigeria, fraudulent practices have become much endemic and systemic, particularly in the large scale business sector. Detecting it can be difficult but forensic accounting provides quite a good number of solutions to identifying whether a fraudulent activity has taken place. It uses modern technology to notice anomalies and patterns in data.

The incorporation of modern forensic accounting techniques in audit in Nigeria is seen as timely in order to prepare the accounting profession to deal effectively with the problem of unearthing ingenious fraud schemes arising from audit failure to detect frauds in Nigeria. Ile and Odimmega (2018) stated that forensic accountants use as many of these accounting techniques as possible in the detection and prevention of fraud regardless of whether they are eventually used in a trial. These techniques includes: interviewing; invigilation; observation; vulnerability and internal control charts; net worth method; expenditure method; bank deposit method; cash transaction method; document examination; tracing; data mining technique; ratio analysis; and among others. Therefore, this study focused on the use of net worth method and ratio analysis in detection of financial statement fraud.

The net worth technique refers to an indirect balance sheet approach to estimate income. It essentially uses an individual's net worth on two different dates to detect if there is any income derived from unreported or unknown sources. The method is typically used by accountants, especially if there is any litigation related to fraud on concealing reported income and net worth. Net worth is the value of a person or company and can be computed by deducting the total liabilities from the total assets that are owned by the individual/company. If an individual or company owns assets that are greater than liabilities, it is said to show a positive net worth. If the liabilities are greater than assets, it implies a negative net worth. The net-worth technique is good in demonstrating the income, the suspect by using financial analysis to determine the increase in his or her wealth. This is usually done by showing the year to year increase in the wealth of the individual.

According to Spring (2013), examiners compare the known net worth of an individual at the beginning and ending of a period, and calculate the amount of change during this period under the net worth technique. Net worth can be rolled forward using the formula of: beginning net worth (cost basis) +/- reported net cash earnings for the period +/- gifts received or made and inheritances received during the period +/- living expenses for the period = ending net worth (cost basis). The difference between the known beginning and ending net worth is then compared to income from known sources. This technique operates under the assumption that any unsubstantiated increase in a party's net worth reflects unreported income. The financial expert begins by estimating the party's net worth using bank and brokerage statements, real estate records, loan and credit card applications, and other documents. Through this tool, it can be shown that fraudsters, money launders, and corrupt officials spent money that can be traced to their legitimate income.

Ratio analysis is the act of measuring the relationships among different financial statement items as well as between these items and nonfinancial data. According to Bloomenthal (2021), ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a tool, which the forensic accountant can apply to conduct a quantitative analysis of the firm's information on the financial statement. The accountant uses ratio analysis on the current year to compare with the previous year. The comparison to show how the firm is doing in the current year over the previous and the company can then conclude on the well-being of the company (Hopwood, Leiner & Young

2012). Ratio analysis as a forensic accounting technique is used to compare either on a historical basis, industry basis or against a defined benchmark. It identifies fraud therefore by examining the patterns of the data to highlight possible deceitful transactions. Investors and analysts employ ratio analysis to evaluate the financial health of companies by scrutinizing past and current financial statements. According to Pinkasovitch (2016), comparative ratio analysis also allows analysts and auditors to spot discrepancies within the firm's financial statements. By analyzing ratios, information regarding day's sales in receivables, leverage multiples and other vital metrics can be determined and analyzed for inconsistencies.

Ratio analysis examines patterns in the financial statement to highlight possible fraudulent transactions and also pinpoint the specific transaction which is usual as it carries on the operation, and could be used in both small and large samples. It points out discrepancies. Ratio analysis can identify fraud by computing the variance in a set of transactions and then calculates the ratios for the selected numeric field. The ratio of the highest value to the lowest value that is maximum / minimum, in this case if the result is close to 1, the forensic accountant know that there is not much doctoring of the result. This implies that there is not much variance between the highest and the lowest prices. But if the ratio is large, this is an indication that too much was paid for in the product than required (Mehta & Mathur in Odimmega, 2015). This is a powerful tool, when employed will be able to detect the fraud even if it is just for the first time such fraud was perpetuated and are used by most Certified Fraud Examiners.

Considering the above views, it seems that forensic accounting plays a significant role in detecting possibilities of financial statement fraud. Forensic accounting can be seen as an attainable effort to improve quality financial reporting through education and provide other alternative research in accounting. Forensic accounting arises from the effect and cause of fraud and technical error made by human. The Centre for Forensic Studies (2010) report on Nigeria stated that if well applied, forensic accounting techniques could reverse the leakages that cause corporate failures. The main function of the financial account of a business however, is to measure the results in terms of profitability and it is on the basis of success or failure measured in these terms that management will be judged. Financial statement fairly represents the business and economic situation of a country, which if studied carefully can lead to the achievement of some financial and economic goals. It is on this background this research tend to determine the extent of application of forensic accounting techniques in detection of financial statement fraud in Nigeria with particular emphasis on the large scale business organizations in Anambra State, Nigeria.

Statement of the Problem

Financial reporting has for a long time played an important role in providing relevant information for decision making. Despite its criticality and usefulness, questions have been raised with regards to the accuracy of published financial statements by companies. It is observed that the role of financial statements in investment decision making in Nigeria has become a problem to both investors and managers of business organizations. With the rising scam in Nigeria business sector, the Government made a bold attempt to reduce the level of fraud in the public sector of the economy by establishing two paralleled but complementary agencies to help clean up the mess that was becoming embarrassing in the system. That was what brought the Economic and Financial Crimes Commission (EFCC) and the sister body, the Independent Corrupt Practices and other Related Offences Commission (ICPC). Many arrests were made by the two agencies but such could not yield desired result and more so the public expectations concerning the looted funds could not be realized. The spate of financial crimes and corporate failures have placed greater responsibility and function on accountants to equip themselves with the skills to identify and act upon indicators of poor corporate governance, mismanagement, frauds and other wrong doings. Therefore, this study is aimed at determining the extent to which forensic accounting techniques are applied in detection of financial statement fraud in large scale business organizations in Nigeria.

Purpose of the Study

The main purpose of the study is to determine the application of forensic accounting techniques in detection of financial statement fraud in large scale business organization in Anambra State Nigeria. Specifically, the study determined:

1. The application of net worth technique in detecting financial statement fraud in large scale business organization in Anambra State Nigeria.
2. The application of ratio analysis technique in detecting financial statement fraud in large scale business organization in Anambra State Nigeria.

Research Questions

The following research questions guided the study:

1. To what extent is net worth technique applied in detection of financial statement fraud in large scale business organization in Anambra State Nigeria?
2. To what extent is ratio analysis technique applied in detection of financial statement fraud in large scale business organization in Anambra State Nigeria?

Hypotheses

The following null hypotheses were tested at 0.05 level of significance:

1. The application of net worth technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria.
2. The application of ratio analysis technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria.

Methods

A descriptive survey research design was used in this study. According to Nworgu (2015), a survey research design is one which aims at collecting data on, and describing in a systematic manner the characteristics, features or facts about a given population. The method is suitable for this study because the study involved gathering opinions and information from the management team of large scale business organizations. The study was carried out in selected large scale business organizations in Anambra State. There are three chambers of commerce in Anambra State located at Awka, Nnewi and Onitsha. Twelve large scale business organizations were selected based on the three chambers of commerce. The population of this study consisted of 172 management team of selected large scale business organizations in Anambra State. The entire population was studied without sampling because the size was manageable. Primary data was generated directly from the management team of selected large scale business organizations in Anambra State using a structured personal questionnaire. The response options were on a five-point scale of Very Highly Applied (VHA), Highly Applied (HA), Moderately Applied (MA), Lowly Applied (LA) and Very Lowly Applied (VLA) with nominal values 5,4,3,2 and 1 respectively.

To ascertain the validity of the instrument for the study, the draft questionnaire was given to two experts in the field for face and content validation. To establish the instrument's reliability, the questionnaire was administered on a sample of twenty management staff of large scale business organizations in Enugu State who are not included in the population of the study. The application of Statistical Package for Social Sciences (SPSS) version 21 using Cronbach Alpha reliability was used. The analysis test yielded coefficients of 0.88 and 0.90 with an overall score of 0.89 for internal consistency which was deemed reliable for the study. Out of the 172 copies of the questionnaire administered, five were incompletely filled and six were not returned. Eleven copies of the questionnaire were not utilized. The total number of questionnaires used was 161 and this represented 93.60% return rate. The data collected from the study were analyzed using mean and standard deviation to answer the research questions and one sample t-test used to test the null hypotheses. For the hypotheses, a null hypothesis was rejected if the probability (P) value obtained is less than the significance level of 0.05 whereas a null hypothesis was not rejected if the probability (P) value obtained is greater than the significance level of 0.05.

Results

Research Question 1

To what extent is net worth technique applied in detection of financial statement fraud in large scale business organization in Anambra State Nigeria?

Data relating to research question were analyzed and presented in Table 1.

Table 1: Respondent's mean ratings on the extent net worth technique is applied in detection of financial statement fraud in large scale business organizations

N = 161

S/No	Net worth technique	Mean	SD	Decision
1.	Used in analyzing income and asset	4.00	.63	High Extent
2.	Used in reporting illegal practices in an organization	3.41	.54	Moderately applied
3.	Used in determining the business total assets	3.70	.64	Highly applied
4.	Used in detecting the business total liabilities	3.60	.67	Highly applied
5.	Used in establishing a definite opening net worth	3.89	.54	Highly applied
6.	Used in establishing the ending net worth	4.30	.64	Highly applied
7.	Used in discovering overstatements in the business account	3.30	.51	Moderately applied
8.	Used in estimating income and expenses for a period	3.91	.55	Highly applied
Cluster Mean		**3.76**		**Highly applied**

The cluster mean of 3.76 in Table 1 indicates that the management team highly applied net worth technique in detection of financial statement fraud in large scale business organizations in Anambra State. The item by item analysis shows that items 1, 3, 4, 5, 6 and 8 with mean scores ranging from 3.60 to 4.30 are highly applied. Items 2 and 7 with the mean scores ranging from 3.30 to 3.41 are moderately applied. There is homogeneity in all the items amongst responses indicating a greater consensus of opinion.

Research Question 2

To what extent is ratio analysis technique applied in detection of financial statement fraud in large scale business organization in Anambra State Nigeria?

Data relating to research question were analyzed and presented in Table 2.

Table 2: Respondent's mean ratings on the extent ratio analysis technique is applied in detection of financial statement fraud in large scale business organizations

N = 161

S/No	Ratio analysis technique	Mean	SD	Decision
9.	Measures a company's ability to meet short term obligations from its liquid assets	4.00	.63	Highly applied
10.	Used in measuring business working capital situation	4.01	.64	Highly applied
11.	Used to indicate the proportion of equity and debt to finance business assets	3.70	.64	Highly applied
12.	Used to indicate the percentage of net profit to sales	3.59	.67	Highly applied
13.	Used in indicating the effects of gross margin changes	3.48	.54	Moderately applied
14.	Used in measuring the time between sales on account and the collection of funds	4.35	.64	Highly applied
15.	Used in measuring the debtors collection ratio	3.35	.58	Moderately applied
16.	Using inventory turnover ratio in determining the number of times inventory was sold during the period	3.91	.55	Highly applied
17.	Used in determining the asset turnover ratio	3.25	.51	Moderately applied
Cluster Mean		**3.74**		**High applied**

The cluster mean of 3.74 in Table 2 indicates that the management team highly applied ratio analysis technique in detection of financial statement fraud in large scale business organizations in Anambra State. The item by item analysis shows that items 9, 10, 11, 12, 14 and 16 with mean scores ranging from 3.59 to 4.35 are highly applied. Items 13, 15 and 17 with the mean scores ranging from 3.25 to 3.41 are moderately applied. There is homogeneity in all the items amongst responses indicating that the respondents were not wide apart in their responses.

Testing of Null Hypotheses

Hypothesis 1

The application of net worth technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria.

Table 3

t-test of the mean ratings of the management team on the application of net worth technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria

Net Worth Technique	N	$\bar{X}$	SD	df	t-cal	P-value	Decision
	161	3.76	.13	160	398.3	.00	Significant

As shown in Table 3, the application of net worth technique has a significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria. This is shown by t-cal value of 398.3 and the p-value (.00) which is less than the stipulated 0.05 level of significance. Therefore, the null hypothesis was rejected.

Hypothesis 2

The application of ratio analysis technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria.

Table 4

t-test of the mean ratings of the management team on the application of ratio analysis technique has no significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria

Ratio Analysis Technique	N	$\bar{X}$	SD	df	t-cal	P-value	Decision
	161	3.74	.17	160	297.2	.00	Significant

t-test analysis in Table 4 shows that the application of ratio analysis technique has a significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria. This is shown by t-cal value of 398.3 and the p-value (.00) which is less than the stipulated 0.05 level of significance. Therefore, the null hypothesis was rejected.

Discussions

The results of the study revealed that the management team highly applied net worth technique in detection of financial statement fraud in large scale business organizations in Anambra State. The findings are in consonance with that of Amahalu, Ezechukwu and Obi (2017) who stated that forensic accounting is effective in reducing financial statement fraud through active and thorough investigation of such fraud. They posit that the implementation of certain standard techniques and procedures to guide forensic accounting assignments will further help to reduce the occurrence of fraud. In support of this, Abiola in Gbegi and Adebisi (2014) opined that the application of forensic accounting techniques has raised the hope of detection of financial statement fraud globally. According to financial Reporting Council (2015), income and expenses are accounted for when the definition and recognition criteria for these items are satisfied, irrespective of any cash flow. The accountant scrutinizes banking transactions, known as income sources and expenditures, and changes in the net worth for signs of unreported income or hidden assets. Forensic accountants should have the skills and experience to read the signs that lead to hidden wealth in order to improve the results of business operation. The test of the first hypothesis shows that the application of net worth technique has a significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria. This is in line with the view of Gbegi and Adebisi (2014) who found that forensic accounting techniques have a significant effect in uncovering fraud in the Nigeria public sector.

The results of the study indicated that the management team highly applied ratio analysis technique in detection of financial statement fraud in large scale business organizations in Anambra State. The findings are similar with the findings of Adebisi, Okike and Yoko (2016) who found that forensic accounting have a significant role to play in fraud detection and prevention in Nigeria. From the above, we can infer that fraud investigation by forensic accountants should be a routine activity in business organizations as the mere presence of forensic investigators paying regular visits in order to deter certain categories of fraud. In line with this, Azih and Okoli (2015) stated that that computing key financial ratios is one of the skills required for forensic accounting in preparing financial statement. The ratio analysis technique is very useful for fraud detection because percentages are easily understood by all and sundry. Moreover, the findings of this study have shown that the extent of application of ratio analysis will positively influence the perceived benefits of using it in the detection of financial statement fraud in large scale business organizations in Nigeria. Furthermore, the test of the second hypothesis revealed that the application of ratio analysis technique has a significant effect on detection of financial statement fraud in large scale business organization in Anambra State Nigeria. Therefore, the null hypothesis was rejected.

Conclusion

Financial statements reflect the financial effects of business transactions and events on the entity, internal control system if adequate will help in reducing the activities of fraudulent stakeholders. Based on the findings of this study, it was concluded that the application of net worth and ratio analysis techniques by accountants will help to reduce financial statement fraud in large scale business organizations in Nigeria.

Recommendations

Based on the findings of this study, the following recommendations are made:

1. Management staff training and re-training in the field of forensic accounting should be embarked upon by large scale business organizations. This will help the management teams to make knowledgeable decisions regarding what steps to take and how to proceed during an investigation and not taint the evidence.
2. Large scale business organizations should adopt the most effective mechanisms in their fraud detection drives. This is because studies have shown that current fraud detection mechanisms commonly used are perceived as the least effective in combating fraud menace. Forensic accounting mechanisms which have been perceived as most effective should be encouraged.
3. Government should ensure the provision of standards and guidelines to regulate forensic accounting activities and above all, large scale business organizations should embrace integrity, objectivity, fairness and accountability in their day-to-day activities to ensure credibility of accounting information.

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