

Noreen Naïve and the Case of the Baffled Small Business Owner: A Grader-Friendly, Financial Statement Analysis Case

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This fictional case of possible fraud exposes the students to fraud detection and investigation using financial statements. Students evaluate the income statement and balance sheet of a fictional company to detect accounts that are “suspicious.” The grading rubric included with the case rewards students for choosing accounts seeded with abnormal balances but also punishes students for choosing to investigate an account that falls within normal ranges. The student learns that time is a valuable resource and should be allocated amongst those accounts that substantially deviate from expected values. The objectives of this case are to increase students’ understanding of financial statement analysis. Students need to realize that there are several methods available to analyze and present data. Looking at actual figures will not always reveal potential problems, nor will straight ratio analysis; however, combining the different methods will help the students identify possible stories sometimes hidden in the financial statements. The student Microsoft Excel file and instructor’s solutions file for easy grading can be obtained upon request from the corresponding author.

I. TEACHING NOTES

A. *Objectives of the Case* – The objectives of this case are to increase students’ understanding of financial statement analysis. Students need to realize that there are several methods available to analyze and present data. Looking at actual figures will not always reveal potential problems, nor will straight ratio analysis; however, combining the different methods will help the students identify possible stories sometimes hidden in the financial statements. The following is a partial list of skills and analytical methods the students should use.

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| 1) Spreadsheet skills | 5) Payroll analysis |
| 2) Account change analysis
(both \$\$ amounts and % changes) | 6) Business analysis |
| 3) Ratio analysis | 7) Fraud detection |
| 4) Fixed asset and depreciation analysis | 8) Critical thinking skills |