

Beneish M-score Models as Useful Tool for Discovering of Deceptions in Financial Statements

Mateja Gorenc

MFDPŠ, Slovenia

mateja.gorenc@mfdps.si

Abstract

Globalisation and introduction of rapid changes in business operations and new business models are opening also new opportunities for fraud. The basic tasks for supervisory authorities is among the others discovering, prevention and sanctioning of this kind of actions. For the performance and efficiency at discovering of deceptions the right tools are needed. One of them, repeatedly verified, is the model M-score, developed by professor M.Beneish. The model is based on eight indicators, calculated from the financial statement. The financial statements are a summary of the company's operations during the period under review. In the observed company we have with application of the Beneish M-Score model identified two potential manipulations, which are subject to detailed survey.

Keywords: Beneish M-score, financial statements, deceptions, discovering of deceptions