Abstract

This study use of analytical procedures in detecting false financial statements using published data to develop a model for detecting factors associated with false financial statements (FFS). The goal of this study is to identify financial factors to be used by auditors in assessing the likelihood of FFS. We used an Eckle standard to classification FFS and Non- FFS firms. A sample of a total of 63 firms in ASE includes 25 with FFS and 38 Non-FFS in industrial Jordanian firms.

The variables in this study come from many sources. To find variables, prior work on the topic of FFS was carefully considered. Ten financial variables are selected for examination as potential predictors of FFS. Univariate and multivariate statistical techniques such as logistic and stepwise logistic regression are used to develop a model to identify factors associated with FFS. The univariate tests (t- test) indicate all variables such as total assets; inventory, working capital, equity, sales and net profit are significant differences at different confidence level between FFS and Non-FFS firms. The large significant difference in average values of ratios between FFS and Non-FFS firms indicate in TD/ TA ratio. Logistic and stepwise logistic regression indicate that the firms with high net profit with respect to sales, high sales to total assts, high receivable to sales have a significant positive effect , meaning that firms have increased probability of being classified with the FFS group . And low Z scores has as significant negative effect, meaning that firms increased probability of being classified with Non-FFS firms. However. the results therefore demonstrate that the models function effectively in detecting FFS and could be of assistance to auditors, both internal and external, to taxation and other state authorities and to the banking system and investigates the effects of the following variables: auditing standard requirements and the quality of the internal control structure.

We recommended should be continuously development the procedures to detecting falsification of data with more improved statistical techniques and a greater number of variables it is possible to develop a more powerful analytical tool for detecting of FFS, that contributes to auditing, financial and accounting research by examining the suggested variables to identify those that can best discriminate cases of FFS.