Corporate entities of all sizes, across the globe, are easily susceptible to frauds at any points of time. From Enron, WorldCom and Satyam, it appears that corporate accounting fraud is a major problem that is increasing, both in its frequency and severity. According to ACFE Global Fraud Study 2012, “The typical organization loses 5% of its revenues to fraud each year. Applied to the 2011 Gross World Product, this figure translates to a potential projected annual fraud loss of more than $3.5 trillion.” However, research evidence has shown that growing number of frauds have undermined the integrity of financial reports, contributed to substantial economic losses, and eroded investors’ confidence regarding the usefulness and reliability of financial statements. The increasing rate of white-collar crimes “demands stiff penalties, exemplary punishments, and effective enforcement of law with the right spirit.”

INTRODUCTION
Fraud is a worldwide phenomenon that affects all continents and all sectors of the economy. Fraud encompasses a wide-range of illicit practices and illegal acts involving intentional deception or misrepresentation. According to the Association of Certified Fraud Examiners (ACFE, 2010), fraud is “a deception or misrepresentation that an individual or entity makes knowing that misrepresentation could result in some unauthorized benefit to the individual or to the entity or some other party.” In other words, mistakes are not fraud. Indeed, in fraud, groups of unscrupulous individuals manipulate, or influence the activities of a target business with the intention of making money, or obtaining goods through illegal or unfair means. Fraud cheats the target organization of its legitimate income and results in a loss of goods, money, and even goodwill and reputation. Fraud often employs illegal and immoral, or unfair means. It is essential that organizations build processes, procedures and controls that do not needlessly put employees in a position to commit fraud and that effectively detect fraudulent activity if it occurs.

Financial reporting practice can be developed by reference to a particular setting in which it is embedded. Therefore, ‘qualitative’ research could be seen useful to explore and describe fraudulent financial reporting practice. Here, two issues are crucial. First, to understand why and how a specific company is committed to fraudulent financial reporting practice an appropriate “interpretive” research approach is needed. Second, case study conducted as part of this study, looked specifically at the largest fraud case in India, involving Satyam Computer Services (Satyam). Labeled as “India’s Enron” by the Indian media, the issue involved fraud and financial statement manipulation over a 10-year period, predominantly by the chairman, Ramalinga Raju (henceforth, Mr. Raju). It is India’s fourth largest software services exporter having operations in 66 countries. The Satyam accounting fraud has, for the first time, comprehensively exposed the failure of the regulatory oversight mechanism in India. No doubt, to design better accounting systems, we need to understand how accounting systems operate in their social, political and economic contexts.

OBJECTIVES OF STUDY AND SOURCES OF INFORMATION
1. Identify the prominent American and foreign companies involved in fraudulent financial reporting practices and the nature of accounting irregularities they committed;
2. highlight the Satyam Computers Limited’s accounting scandal by portraying the sequence of events, the aftermath of events, the key parties involved, and major follow-up actions undertaken in India; and
3. What lesions can be learned from Satyam scam?

MR. RAMALINGA RAJU AND THE SATYAM SCANDAL
On January 7, 2009, Mr. Raju disclosed in a letter, as shown in Exhibit 2, to Satyam Computers Limited Board of Directors that “he had been manipulating the company’s accounting numbers for years.” Mr. Raju claimed that he overstated assets on Satyam’s balance sheet by $1.47 billion. Nearly $1.04 billion in bank loans and cash that the company claimed to own was non-existent. Satyam also underreported liabilities on its balance sheet. Satyam overstated income nearly every quarter over the course of several years in order to meet analyst expectations. For example, the results announced on October 17, 2009 overstated quarterly revenues by 75 percent and profits by 97 percent. Mr. Raju and the company’s global head of internal audit used a number of different techniques to perpetrate the fraud. As Ramachandran (2009) pointed out, “Using his personal computer, Mr. Raju created numerous bank statements to advance the fraud. Mr. Raju falsified the bank accounts to inflate the balance sheet with balances that did not exist. He inflated the income statement by claiming interest income from the fake bank accounts. Mr. Raju also revealed that he created 6,000 fake salary accounts over the past few years and appropriated the money after the company deposited it. The company’s global head of internal audit created fake customer identities and generated fake invoices against their names to inflate revenue. The global head of internal audit also forged board resolutions and illegally obtained loans for the company.”

It also appeared that the cash that the company raised through American Depository Receipts in the United States never made it to the balance sheets (www.outlookindia.com).
Immediately after Raju’s revelation about the accounting fraud, ‘new’ board members were appointed and they started working towards a solution that would prevent the total collapse of the firm. Indian officials acted quickly to try to save Satyam from the same fate that met Enron and WorldCom, when they experienced large accounting scandals. The Indian government “immediately started an investigation, while at the same time limiting its direct participation, with Satyam because it did not want to appear like it was responsible for the fraud, or attempting to cover up the fraud.” The government appointed a ‘new’ board of directors for Satyam to try to save the company. The Board’s goal was “to sell the company within 100 days.” To devise a plan of sale, the board met with bankers, accountants, lawyers, and government officials immediately. It worked diligently to bring stability and confidence back to the company to ensure the sale of the company within the 100-day time frame. To accomplish the sale, the board hired Goldman Sachs and Avendus Capital and charged them with selling the company in the shortest time possible.

INVESTIGATION: CRIMINAL, CIVIL CHARGES AND VICTIMS
The investigation that followed the revelation of the fraud has led to charges against several different groups of people involved with Satyam. Indian authorities arrested Mr. Raju, Mr. Raju’s brother, B. Ramu Raju, its former managing director, Srinivas Vdidlamani, the company’s head of internal audit, and its CFO on criminal charges of fraud. Indian authorities also arrested and charged several of the company’s auditors (PwC) with fraud. The Institute of Chartered Accountants of India (ICAI) ruled that “the CFO and the auditor were guilty of professional misconduct.” The CBI is also in the course of investigating the CEO’s overseas assets. There were also several civil charges filed in the U.S. against Satyam by the holders of its ADRs. The investigation also implicated several Indian politicians.

LESSONS LEARNED FROM SATYAM SCAM
The 2009 Satyam scandal in India highlighted the nefarious potential of an improperly governed corporate leader. As the fallout continues, and the effects were felt throughout the global economy, the prevailing hope is that some good can come from the scandal in terms of lessons learned (Behan, 2009). Here are some lessons learned from the Satyam Scandal:

• Investigate All Inaccuracies:
• Ruined reputations:
• Corporate Governance needs to be stronger:

CONCLUSION
A transformed organizational culture, which pays highest attention to ethical conduct and moral values, will strengthen sustainable roots of the company. Transparency and effective auditing and regulatory checks, through internal and external auditors and monitoring agencies, will also help to establish long-lasting credibility for a company. Companies must take a step-back when presented with challenging decisions and individuals must listen to “the little voice in their head in complying with the ‘law’ and to their heart in dealing with ‘people.’” Transparency in financial reporting, as a moral duty and ethical code of conduct, are also very important for companies to adhere to in order to uphold ethical standards.

REFERENCES