

## **Big Training Corporation**

An Instructional Case for Courses In  
Forensic Accounting, Auditing, Fraud Examination and Cost Accounting

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**Abstract**

This case study discusses an actual case of attempted asset misappropriation in an organization focused on training and development activities. The names of the parties involved have been disguised; likewise, the dollar amounts. A department manager attempted to change employee work assignments and training opportunities offered to clients in an effort to maximize salaries earned by employees while potentially decreasing organizational profits significantly. Students have the opportunity to: (a) analyze the case through the lens of the Association of Certified Fraud Examiners taxonomy of occupational fraud and abuse, (b) comment on the ethical issues raised by the case and (c) conduct a sensitivity analysis of costs, revenues and profits.

**Case description**

This case study involves a classic agency problem in organizations: a manager attempting to maximize personal income for employees at the expense of the organization's overall profitability. Students would benefit from some background in cost-volume-profit analysis prior to using the case; they are also required to use the Association of Certified Fraud Examiners taxonomy of occupational fraud and abuse ([www.acfe.com](http://www.acfe.com)) and their code of ethics. Ethics codes of other accounting organizations (such as the Institute of Management Accountants) may also provide a useful analytical lens for the case.

**Big Training Corporation background**

Big Training Corporation (BTC) is a multi-divisional company specializing in providing educational seminars on various business subjects; BTC has divisions throughout the western United States, each with a specific subject area focus. Each division is treated as a profit center; each division has a general manager that enjoys substantial autonomy in decision making.

Dale is the manager of the Los Angeles division of BTC. The Los Angeles division employs a staff of twelve seminar presenters; the Los Angeles division specializes in seminars on accounting topics such as financial statement preparation and interpretation, cost management and taxation. Presenters are paid a flat fee for each seminar they give, regardless of the number of participants; most of BTC's seminars filled to capacity. The Los Angeles division's fees and costs are presented below:

Fee per student	\$	800
Variable cost per student		300
Fixed cost per seminar		5,000

Variable costs included items such as meals, refreshments, textbooks and other materials; fixed costs primarily comprised the salary of the presenter, but also included minor amounts for allocated overhead.

Depending on the subject matter, maximum enrollment for each seminar had varied from 30 students to 40 students, with more general seminars having higher maximum enrollments. As division manager, Dale was responsible for setting the maximum size of each seminar and for assigning presenters to each seminar. Dale also had the option of giving up to five seminars

throughout the year, for which he received compensation above and beyond his salary as division manager.

### Actions in summer 2011

Without notifying BTC's corporate office, Dale selectively reduced the maximum enrollment for some summer 2011 seminars to ten participants. Demand for the seminars remained high, leading to an increase in the number of seminars offered and a corresponding increase in presenters' salaries.

Enrollment and other figures prior to and after the change are shown in the table below:

Seminar topic	Number of seminars	
	Prior to Summer 2011	Enrollment
Introduction to financial statements	1	40
Financial statement analysis	1	30
Cost accounting fundamentals	1	40
Advanced topics in cost accounting	1	30
Introduction to personal taxation	1	40
GAAP overview	1	40
	Summer 2011	
Introduction to financial statements	4	10
Financial statement analysis	1	30
Cost accounting fundamentals	4	10
Advanced topics in cost accounting	3	10
Introduction to personal taxation	1	40
GAAP overview	1	40

Anthony was a consultant in the Los Angeles division whose seminar enrollments were not reduced; he was also a certified fraud examiner. He discovered the selective reductions by reviewing information freely available to employees in the accounting information system.

### Required

1. Calculate the Los Angeles division's profits before and after the enrollment changes.
2. The Association of Certified Fraud Examiners ([www.acfe.com](http://www.acfe.com)) defines occupational fraud and abuse as "The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." Based on that definition, did Dale's actions constitute fraud?
3. Review the Association of Certified Fraud Examiners taxonomy of occupational fraud and abuse, available at [www.acfe.com](http://www.acfe.com). Regardless of your answer to (2), where do Dale's actions fit into the taxonomy? In other words, if Dale's actions constituted fraud, what type of fraud was it?

4. Review the ACFE's code of ethics. What are Anthony's ethical responsibilities in this situation?
5. Assume one of the presenters in the Los Angeles division is Dale's son. What additional issues are raised by that assumption?

**How to present the case**

Students should prepare the computational analysis and brief responses to other questions prior to class discussion. The ACFE resources referred to in the case questions are available on the ACFE's web site ([www.acfe.com](http://www.acfe.com)). Specifically, the taxonomy of occupational fraud and abuse is available in the "Report to the Nations on Occupational Fraud and Abuse." Students can access the ACFE's code of ethics by typing "code of ethics" in the search box at the top of the association's web site.