



Measuring the Risk of Accounting Irregularities

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Two services are using new technology to assess the likelihood of accounting irregularities at companies and the impact of negative news stories on corporate reputations.

One of them, from Audit Integrity, assigns Accounting and Governance Risk, or AGR, ratings to particular companies and industries. Audit Integrity uses publicly available accounting and governance data to assess the transparency and reliability of a company's financial reporting and corporate governance practices. The firm recently received validation in an **academic study** that found its ratings system outperforms academic risk measures such as working capital accruals in head-to-head tests for detecting and predicting Securities and Exchange Commission enforcement actions, substantial accounting restatements, and shareholder lawsuits.

Audit Integrity and Media Tenor International are taking different approaches to how technology can be used to track corporate risk management and reputation management, but their measurements could be valuable in different contexts to accountants and investors alike.

To view the complete article, visit http://www.webcpa.com/debits_credits/Measuring-the-Risk-of-Accounting-Irregularities-53306-1.html