Arson or Accident: A Forensic Accounting Case Requiring Critical Thinking and Expert Communication

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ABSTRACT: When a fire destroyed the home of Jeffrey R. Jones, he immediately filed a claim with his insurance company, Gladstone Insurance. Gladstone denied Mr. Jones' claim alleging, among other things, that he had a financial motive to commit arson. To resolve the dispute, Mr. Jones filed a lawsuit against Gladstone for damages, denying the allegation that he had a financial motive to burn down his home. You will act as a team of forensic accountants, hired by either Mr. Jones or Gladstone, to present evidence on Mr. Jones' financial condition at the time of the fire. In addition to writing an expert report, you will have the opportunity to participate in a mock trial during which you will present your opinion and face cross-examination from an opposing team.

Keywords: forensic accounting; arson; critical thinking; evidence; financial analysis; mock trial.

THE CASE

Introduction

On the morning of December 31, 20X8 a fire destroyed the home of Jeffrey Jones. Mr. Jones immediately reported the fire loss to his insurance company, Gladstone Insurance. Mr. Jones had insured his home through Gladstone for many years and at the time of the fire was current on his payments. Gladstone immediately advanced Mr. Jones $31,000 to help with temporary living expenses while it completed its investigation. On August 15, 20X9, Gladstone denied Mr. Jones' claim asserting the results of the investigation met the necessary criteria to deny his claim: (1) the fire was of suspicious origin; (2) Mr. Jones had the opportunity to set the fire; and (3) Mr. Jones' financial condition was such that he had a motive to commit arson (Pavlisin, Williams, and Seidler 2005). On September 3, 20X9, Mr. Jones filed a lawsuit against Gladstone alleging bad faith.

In this case, you act as an expert forensic accounting witness hired by either Gladstone Insurance or Mr. Jones to provide testimony (evidence) on Mr. Jones’ financial condition at the time of the fire. [Note: The parties will hire other experts to opine on the origin of the fire and Mr. Jones’ opportunity to set the fire.] As the Plaintiff, Mr. Jones’ expert must prove, with a preponderance of the evidence, that Mr. Jones’ financial condition at the time of the fire was strong, thus he had no motive to...
commit arson. As the Defendant, Gladstone’s expert must defend its decision not to pay through expert testimony that Jones’ financial condition at the time of the fire was poor, thus he had motive to set the fire.

BACKGROUND

Homeowner insurance policies contain language that compels anyone who files a claim to cooperate with a subsequent investigation. The courts interpret cooperation to mean that a policyholder must, if asked, sit for an Examination Under Oath (EUO) and turn over material documents such as income tax returns, bank statements, contracts, and receipts. Courts consider failure to produce requested documents (if they exist) or refusal to sit for an EUO as a breach of the duty to cooperate. As the name implies, an EUO is sworn oral testimony from the insured regarding the facts and circumstances surrounding the claim. Gladstone requested Mr. Jones sit for an EUO, and Mr. Jones complied (see Student Handout 1—SH 1). Gladstone’s attorney, Kevin Patterson, conducted the EUO. His questions focused on the origin of the fire, Mr. Jones’ opportunity to set the fire, and Mr. Jones’ financial condition at the time of the fire.

THE ASSIGNMENT

Your instructor will divide your class into teams and assign your team to work for either the Plaintiff (Mr. Jones) or the Defendant (Gladstone Insurance). As a team, your assignment is to provide an expert report (which will detail your expert opinion) on Mr. Jones’ financial condition at the time of the fire, then participate in a mock trial during which team members will either act as the testifying expert, or advocate (attorney). The attorneys will use the testifying expert’s opinion as evidence to support their arguments as to whether Mr. Jones did or did not have a financial motive to commit arson. This project has four parts:

1. Gather information necessary to analyze Mr. Jones’ financial condition;
2. Form an opinion and write an expert report;
3. Exchange your report with the opposing side and analyze the opposing expert’s report for strengths and weaknesses; and
4. Present your report before a trier of fact (jury or judge).

Part 1. Gather Additional Information to Analyze Mr. Jones’ Financial Condition

You begin the case with a working hypothesis: Either Mr. Jones was (or was not) in a state of financial distress severe enough at the time of the fire to constitute motive.4 To analyze Mr. Jones’ financial condition, you must gather data to test and refine your hypothesis.

Courts consider both direct and indirect evidence. Direct evidence comes from personal knowledge or observation. It is real, tangible, or clear evidence of a fact, and requires no inference to prove its existence (for example, an eyewitness, or a video tape of a crime).5 Indirect (or circumstantial) evidence is based on inference rather than direct personal knowledge (for example, showing facts consistent with an hypothesis).6 Direct evidence is not required to deny an insurance claim. If your team’s analysis of Mr. Jones’ financial condition indicates financial distress, then that infers a motive to commit arson. If your team’s analysis indicates that Mr. Jones was not in financial distress, then that infers there was no motive to commit arson.

Review Mr. Jones’ EUO (SH 1) for clues regarding his financial condition (e.g., income, cash flow, assets and liabilities). As you study the EUO, compile a list of the material documents you need to evaluate Mr. Jones’ financial condition (e.g., tax returns, financial statements, and banking records). Submit your documents request to your instructor, who will supply the requested documents (if they are available). Remember, your concluding expert opinion (Part 2 of the assignment) must be based on “sufficient facts or data” and the product of “reliable principles and methods.”7 Expect the opposing side to challenge the sufficiency and relevance of the information you considered during your cross-examination. SH 2 contains relevant portions of Mr. Jones’ fire insurance policy including his policy limits, and SH 3 is a summary of the insurance claim filed by Mr. Jones.

Part 2. Form an Opinion and Prepare an Expert Report

To form your opinion, analyze the financial data collected in Part 1 of the assignment. There is no “right” way to measure Mr. Jones’ level of financial distress; rather your team must determine both how it will define and how it will measure financial

4 The inducement, reason, or willful desire and purpose behind the commission of an offense (Black’s Law Dictionary 2009).
distress in this case. Once your team determines what would constitute financial distress for an individual such as Mr. Jones, choose the methodologies that best support your hypothesis. For example, if you define financial distress as a certain level of debt, then you will choose the ratios or other measurement methods that would reveal whether Mr. Jones met the threshold you determine is relevant. A thorough opinion will encompass several different measures/analysis and completely encompass all aspects of Mr. Jones’ financial situation.

You will find that written expert reports vary based on the nature and scope of the engagement, as well as preferences of experts and attorneys. Despite the format chosen, all written reports must adhere to the appropriate judicial mandates, specifically Rule 26. Therefore, your report must contain at least the following:

- An executive summary;
- A complete statement of all opinions to be expressed;
- The facts, data, and analysis considered in forming your opinion/s;
- Any exhibits to be used as a summary of, or support for, your opinions; and
- A specific statement that your opinion meets the requisite standard of proof. The Jones matter is a civil case, so the standard of proof is “the preponderance of evidence.” So, your expert opinion must be expressed within a reasonable degree of professional certainty, i.e., it is more likely than not that Mr. Jones either was (or was not) in a level of financial distress at the time of the fire sufficient to motivate the act of arson.

Your report must be in a professional form with correct grammar, spelling, and syntax. It should clearly outline your case as if you were educating someone who is unfamiliar with accounting. Length is not as important as a clear and compelling narrative. Carefully choose your words and ideas to avoid criticism by the opposition during cross-examination.

Regardless of which role you choose to fill in the eventual mock trial, all team members must work together to compile the expert opinion and report. This is essential because during the mock trial you will need a thorough and complete understanding of the case facts and data included in your report in order to benefit your team. You must also have the ability to contribute to understanding and analyzing the opposing expert’s report.

Part 3. Exchange Your Report with the Opposing Side and Analyze the Opposing Report

Once your report is complete, you will exchange it with the opposing side. This is a common practice and part of the discovery process. The task of analyzing the opposing expert’s report includes identifying failures such as misstatements of fact, false assumptions, and inappropriate methodologies and conclusions. The objective is to create an effective strategy for cross-examination of the opposing expert witness during the mock trial. As you analyze the opposing expert’s report, think about how your two reports differ. Anticipate ways in which they might attack your report. Use this time as a team to strategize possible responses to those attacks.

Part 4. Present Your Case Before a Trier of Fact (Jury or Judge)

After you have completed your expert report and analyzed the opposing report, you have an opportunity to present your expert opinion in a mock trial. To accomplish this, each team member will choose a role to play:

- If your team has two individuals, then one takes the role of the advocate (who role-plays the attorney), and one takes the role of the expert witness.
- If your team has three individuals, then one takes the role of the direct-examination advocate, one the role of expert witness, and one the cross-examination advocate.

The individual who has chosen to play the testifying expert will present the report to the jury under questioning by his own team’s direct examination advocate, and then sit for cross-examination by the advocate from the opposing team. The advocates present the opening and closing statements, ask questions to draw out their own expert’s opinion during direct examination, and cross-examine the opposing team’s expert.

The mock trial unfolds in the following way:

1. Opening statements by advocates for each side;
2. Jones’ advocate conducts a direct examination of his (Jones’) expert;
3. Gladstone’s advocate conducts cross-examination of Jones’ expert;
4. Gladstone’s advocate conducts a direct examination of his (Gladstone’s) expert;

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8 See the Federal Rules of Civil Procedure (FRCP, http://www.federalrulesofcivilprocedure.info/frcp/). Although states may determine their own rules, most have adopted rules based on the FRCP.
5. Jones’ advocate conducts cross-examination of Gladstone’s expert; and
6. Closing statements by both advocates.

The purpose of expert witness testimony is to assist the trier of fact (judge or jury) to understand the evidence or determine a fact in issue (in this case, Mr. Jones’ financial condition at the time of the fire). Thus, your success depends on your ability to communicate and connect with the jury or judge. Jurors’ polled after sitting for this case have offered the following comments:

1. “Facts and numbers alone were boring, the side that convinced us was the side that used the numbers to tell a story that was interesting and got us excited.”
2. “Look at us; show enthusiasm for your subject, engage us in your presentation.”
3. “Be clear, whether verbal or visual. We sometimes get lost in the numbers.”
4. “Be creative with visuals; we liked the graphs and pictures better than the lists of numbers.”
5. “End with a take-away for us; we tend to make up our minds based on a single compelling argument.”
6. “Simplify the concept of financial distress; consider the use of analogies.”
7. “Please avoid accounting terms without explanation and acronyms (FASB, IASB, SEC).”
8. “We believe those we can relate to, so show your human side.”

CONCLUSION

The presentation before the jury is the culmination of your work on the expert report and is a chance to display your ability to create arguments to sway others to your point of view and communicate accounting facts to a nonaccounting audience. Finally, after your respective presentations and closing arguments, the case will proceed to jury deliberation. The jury will render a verdict as to whether Mr. Jones’ side has proven his case: that it is more likely than not that Gladstone was unreasonable in claiming Mr. Jones had financial motive to set the fire.

REFERENCES


APPENDIX A

Student Handouts: http://dx.doi.org/10.2308/iace-51350.s01
CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

This case provides students an opportunity to conduct a forensic accounting investigation to assess an individual’s financial motive to commit arson. Students gather and evaluate evidence and form an expert opinion. Students communicate their expert opinion in both a written report and then as expert witness testimony during a mock trial. This unstructured exercise requires the development and application of professional judgment, critical thinking, reasoning, and communicating results to a lay audience.

Learning Objectives

The case has five learning objectives:

LO 1: Students identify and analyze accounting information required to form an expert opinion regarding Mr. Jones’ financial condition at the time of the fire.

LO 2: Students produce an expert opinion report that adheres to appropriate judicial mandates.

LO 3: Students analyze an opposing expert’s report for sufficiency, methodology, conclusions drawn, and relevance of the information considered.

LO 4: Students experience the legal environment of forensic accounting (anatomy of a trial, burden and standards of proof and evidence).

LO 5: Students use reasoning, critical thinking, and verbal dexterity to communicate a legally sufficient expert opinion to a trier of fact.

Appropriate Use of Case

Forensic accounting experts are in high demand. Unlike most aspects of the accounting profession, forensic accounting is adversarial in nature and thus being understandable and believable is often more important than being “right” (Heitger L. and D. Heitger 2008). Because of these unique demands, forensic accounting instructors should consider the use of argument-based cases that allow students to challenge each other in adversarial settings. Research supports the case method of teaching and the benefit of role-playing in accounting cases (Janvrin 2003; Kranacher, Morris, Pearson, and Riley, Jr. 2008; Fleak, Harrison, and Turner 2010). While some accounting cases are available that provide students an opportunity for role-playing (Hayes and Reynolds 2005; Dee, Durtschi, and Mindak 2014), there are few that promote critical thinking, reasoning, and communication skills via the argument and counterargument, as experienced in a mock trial setting. This argument-based case provides an opportunity for students to employ quantitative and qualitative measures to develop an expert opinion, which they communicate in both a written report and expert witness testimony during a mock trial exercise. Importantly, the mock trial exercise allows each team’s opinion to be challenged by the opposing team.

This case is suitable for not only forensic accounting courses, but has also been used in M.Acc. capstone classes, M.B.A. accounting classes, and Accounting for Lawyers courses. The results may differ when used in classes other than forensic accounting classes as instructors may choose to emphasize the financial accounting objectives of analyzing a person’s financial position and the opportunity to create and present arguments rather than the specifics of a legally sufficient expert opinion and the nuances of a trial setting.

Necessary Student Preparation

The focus of this case is to determine whether Mr. Jones was in financial distress at the time of the fire, and thus had motive to commit arson. To complete the case students need to have a background in how to measure the financial health of an individual. While there are similarities to measuring the health of a company, the ratios used differ slightly from those used to measure financial health of a firm. This case also requires that students have an understanding of personal net worth analysis. Finally, students need a background in the nuances of expert report writing, expert witness testimony, and the anatomy of a trial. The appendices in the Teaching Notes contain supplemental resources that instructors can use to convey this background information if desired or needed for their particular course.

Implementation Guidance

This case needs approximately four weeks for adequate student preparation. The work can be conducted outside of class time, or some class time can be used for teamwork. We generally allow some time during class for teams to meet. The case is implemented in the following steps:
1. Students formulate requests for information (i.e., documents request), which instructors supply;
2. Students develop an expert opinion and write the expert report;
3. Students exchange expert reports; and
4. Students present their case to the jury.

**Step 1: Formulate Requests for Information**

The purpose of this step is to help students understand that in almost all cases, the accounting expert must identify and request the information required (i.e., enough relevant data) to develop a legally sufficient expert opinion. Students should be given incentives to complete this step in less than a week. The reading materials are not extensive, and there are hints within the Examination Under Oath (EUO) that should enable students to efficiently request all financial documents needed from Mr. Jones. We recommend students be given one opportunity to request data, and one follow-up request. Experience has shown that if students have done a careful reading of the EUO, then they usually request all available data in the first attempt. Should the instructor believe that this learning objective is not necessary, all materials (Student Handouts and Teacher Handouts [available in the Teaching Notes]) can be provided to the students at the beginning of the case.

**Step 2: Form an Expert Opinion and Write an Expert Report**

Students should be given at least two weeks to analyze the data they collected in Step 1 and write their report. Supplementary resources are provided in the Teaching Notes that can be used to give students some background in personal financial analysis, but they should also be encouraged to seek outside sources. The internet has many such resources (for example, search “personal financial analysis”). A short, sample expert report is provided in the Teaching Notes. The included report is just one possible report format and has been helpful to students in past uses of this case; the instructor may have a different preferred format.

**Step 3: Exchange Expert Reports**

Students need one week for this step. The purpose of the exchange is to critique the opposing witness’ report and prepare for effective cross-examination. It is often helpful, as a place to start, to tell the teams to compare their report to the opposing report, discern where they differ, and why. Was there a variable they included that the opposition did not? And so on. It is also helpful at this stage to meet with teams individually and talk with them about effective cross-examination strategies. Individual consultation is helpful because teams do not want to tip their hands to their opposition. As an alternative, we often bring an attorney into class to talk about direct examination and cross-examination strategies, which is a way to address the entire group without divulging specifics of any team’s case.

**Step 4: Present the Case to the Jury**

This step takes the most preparation by the instructor. First, we do not allow non-party teams to watch each other’s presentation. Rather, we recommend having only the two teams who are currently presenting, the instructor, and the jury in the room at one time. This prevents teams who are later in the rotation from having an undue advantage by seeing other teams’ presentations. This can be accomplished by creating a schedule based on the timetable below for the presentations (give at least 5 minutes in between each mock trial for one set of teams to leave the presentation room and the other team to enter and get set up). When team presentations are kept separate from each other, the variation in presentation styles, methodology, and arguments is quite surprising.

The presentations occur in the following order.\(^9\)

1. Opening Statements by Advocates (Jones then Gladstone). (2.5 minutes each)
2. Advocate for Jones conducts a direct examination of his own expert. (10 minutes)
3. Advocate for Gladstone cross-examines Jones’ expert. (5 minutes)
4. Advocate for Gladstone conducts a direct examination of his own expert. (10 minutes)
5. Advocate for Jones cross-examines Gladstone’s expert. (5 minutes)
6. Closing Statements by Advocates (Jones then Gladstone). (2.5 minutes each)

\(^9\) We recommend printing out the presentation order and time limits and handing them to each team as they arrive for the presentation. We further recommend that since several mock trials will occur in the same class period, that strict adherence to a time frame is kept. The times above are suggested times, and while teams are often cut off, generally the best organized teams can keep within the limits. The exception might be in a good cross-examination during which the teams would like more time.
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Total time per presentation: 45 minutes, (which includes 5 minutes for one set of teams to leave the room and the next to enter). For classes that are taught in short time periods, we recommend running all the mock trials in one night and canceling the day class. Having all groups present on the same day prevents information leakage and helps with coordinating the jury. Some strategies for the trial and tips for advocates and experts are included in the Teaching Notes.

Finding a Jury

We have successfully used three types of juries. The first type of jury is a single panel of subject matter experts (minimum of two local CPAs or attorneys) who act as the jury for all teams. A second type of jury is a single panel comprised of graduate students from other disciplines who act as the jury for all the teams. The third is a series of undergraduate juries (3–5 individuals) limited to one case or one set of teams. All options have worked well.

Despite the fact that the third option requires more coordination, it is more realistic because a typical juror is rarely fluent in accounting and thus trial participants (experts and advocates) are compelled to communicate complex arguments and accounting analysis in a straightforward manner. Also, the jury pool is not tainted by hearing prior arguments. Often students in a beginning accounting course are eager to watch graduate students perform. Instructors for the undergraduate jurors have offered a small amount of extra credit as an enticement.

Jury Verdicts

We recommend giving the jury a simple ballot on which they enter their verdict (for Jones or Gladstone), enter the strength of their verdict, and note the argument that swayed them to one side or the other (see Appendix B for the sample juror ballot). The surveys can be on paper, or in an electronic format such as Qualtrics or SurveyMonkey. We generally reveal the verdicts during the class period following the presentations by creating slides that show the information collected from the ballots. It is a good opportunity to show that juries can be swayed by something other than the facts of a case—an important lesson for forensic accountants.

Effectiveness of Case

We measured case effectiveness in four separate classes, two forensic accounting classes, and two M.Acc. Capstone classes. In each class, students responded to both pre-case and post-case questionnaires. On the questionnaires, students ranked their level of understanding or comfort in relation to a series of statements on a seven-point Likert scale where 1 = strongly disagree, 4 = neutral, and 7 = strongly agree. Table 1, Panel A compares all student responses before and after completing the case.

Learning Objective 1, “Students identify and analyze accounting information required to form an expert opinion regarding Mr. Jones’ financial condition at the time of the fire,” is measured by student response to two questions:

(1) “I am comfortable in my ability to conduct an analysis of an individual’s financial condition.” Pre-case, students reported a mean level of 5.35 (where 4 = neutral and 7 = strongly agree). After completion of the case, the reported mean was 6.03, a significant increase in their comfort level.

(2) “I am comfortable in my ability to read and understand financial statements,” the mean student response was 5.91 pre-case, 6.32 post-case, also a significant increase in the level of comfort reported.

Learning Objective 2, “Students produce an expert report that adheres to appropriate judicial mandates,” is measured by the question: “I have a comfortable understanding of how to create an expert witness report.” Students reported a pre-case mean of 2.96 (where 1 = strongly disagree; 4 = neutral). Post-case, mean reported confidence levels rose to 5.62, a significant difference.

Learning Objective 3, “Students analyze an opposing expert’s report for sufficiency, methodology, conclusions drawn, and relevance of the information considered,” is measured by the question: “I have a general understanding of the accounting issues in an arson case.” Pre-case students had a mean response of 4.15 (where 4 = neutral). Post-case, the mean response was 6.26 (where 7 = strongly agree), a significant difference.

Learning Objective 4, “Students experience the legal environment of forensic accounting,” is measured by student responses to the statement: “I have a general understanding of the role of an expert witness,” pre-case students had a mean response of 4.82 (where 4 = neutral and 7 = strongly agree). After the case, the mean response rose significantly to 6.22 (where 7 = strongly agree).

Learning Objective 5, “Students use reasoning, critical thinking, and verbal dexterity to communicate a legally sufficient expert opinion to a trier of fact,” is measured by responses to the following two statements:
TABLE 1
Impact of the Case, Pre- and Post-Tests by Population, Forensic Students, M.Acc. Students

Panel A: Impact of Case Pre-Test/Post-Test, by Population

<table>
<thead>
<tr>
<th></th>
<th>Pre</th>
<th>Post</th>
<th>p (t = t)</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>Number of Observations</td>
<td>104</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am comfortable in my ability to conduct an analysis of an individual’s financial condition.</td>
<td>5.35</td>
<td>6.03</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to read and understand financial statements.</td>
<td>5.91</td>
<td>6.32</td>
<td>0.0008</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of the accounting issues in an arson case.</td>
<td>4.15</td>
<td>6.26</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of the role of an expert witness.</td>
<td>4.82</td>
<td>6.22</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a comfortable understanding of how to create an expert witness report.</td>
<td>2.96</td>
<td>5.62</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to develop a reasoned argument.</td>
<td>5.49</td>
<td>6.07</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of how to present complex accounting information to a lay audience.</td>
<td>4.64</td>
<td>5.81</td>
<td>&lt; 0.0001</td>
<td>**</td>
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Panel B: Impact of Case Pre-Test/Post-Test, Forensic Accounting Students

<table>
<thead>
<tr>
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<tr>
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<tr>
<td>I am comfortable in my ability to conduct an analysis of an individual’s financial condition.</td>
<td>5.45</td>
<td>6.26</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to read and understand financial statements.</td>
<td>6.08</td>
<td>6.38</td>
<td>0.0811</td>
<td>*</td>
</tr>
<tr>
<td>I have a general understanding of the accounting issues in an arson case.</td>
<td>4.47</td>
<td>6.40</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of the role of an expert witness.</td>
<td>4.67</td>
<td>6.28</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a comfortable understanding of how to create an expert witness report.</td>
<td>3.53</td>
<td>5.98</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to develop a reasoned argument.</td>
<td>5.55</td>
<td>6.15</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of how to present complex accounting information to a lay audience.</td>
<td>4.96</td>
<td>5.98</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
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</table>

Panel C: Impact of Case Pre-Test/Post-Test, M.Acc. Students

<table>
<thead>
<tr>
<th></th>
<th>Pre</th>
<th>Post</th>
<th>p (t = t)</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Observations</td>
<td>54</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am comfortable in my ability to conduct an analysis of an individual’s financial condition.</td>
<td>5.26</td>
<td>5.78</td>
<td>0.0033</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to read and understand financial statements.</td>
<td>5.76</td>
<td>6.25</td>
<td>0.0031</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of the accounting issues in an arson case.</td>
<td>3.85</td>
<td>6.12</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of the role of an expert witness.</td>
<td>4.96</td>
<td>6.16</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I have a comfortable understanding of how to create an expert witness report.</td>
<td>2.43</td>
<td>5.24</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
<tr>
<td>I am comfortable in my ability to develop a reasoned argument.</td>
<td>5.43</td>
<td>5.98</td>
<td>0.0025</td>
<td>**</td>
</tr>
<tr>
<td>I have a general understanding of how to present complex accounting information to a lay audience.</td>
<td>4.33</td>
<td>5.63</td>
<td>&lt; 0.0001</td>
<td>**</td>
</tr>
</tbody>
</table>

**. * Indicate p < 0.001 and p < 0.01, respectively.

(1) “I am comfortable in my ability to develop a reasoned argument.” Pre-case, students ranked their comfort level at 5.49, (4 = neutral). Post-case their mean response was significantly higher at 6.07.
(2) “I have a general understanding of how to present complex accounting information to a lay audience.” Pre-case mean response was 4.64, whereas post-case, the mean response was 5.81, a significant increase in reported level of understanding.

Table 1, Panels B and C report on the same set of questions (pre compared to post), but partitioned by class type (forensic accounting students in Panel B, M.Acc. Capstone students in Panel C). In all cases, the pre- to post-case change in confidence was significant. However, there were significant differences in the initial rankings of several questions (untabulated). Prior to
completing the case, forensic accounting students reported significantly more confidence in being an expert witness, understanding the accounting issues in an arson case, and their ability to present complex accounting information to a lay audience than did the M.Acc. students.

Table 2 displays results from additional questions on the post-case questionnaire. These questions are used as sensitivity analysis directly asking whether students believed the case helped them gain the abilities and understandings inferred by the comparison of pre- and post-case responses. Once again a seven-point Likert scale is used where 1 = strongly disagree, 4 = neutral, and 7 = strongly agree. Mean student response to the following two questions did not differ significantly between forensic accounting students and M.Acc. Capstone students:

1. “After completing this case, I better understand the issues surrounding an arson case,” overall mean 6.35.

The mean responses between forensic accounting students and M.Acc. Capstone students differed significantly for the following questions. In all cases, the forensic accounting students reporting significantly higher numbers:

1. “The level of difficulty present in the case was appropriate for this course” (forensic student mean 6.17, M.Acc. student mean 5.42).
2. “I would recommend the use of this case in future offerings of this course” (forensic student mean 6.36, M.Acc. student mean 5.25).
3. “I believe that after this case I better understand how to develop a compelling argument,” (forensic student mean 6.30, M.Acc. students 5.31).
4. “I believe after this case I better understand how to present accounting information to a lay person,” (forensic student mean 6.08, M.Acc. students 5.25)

**CONCLUSION**

This case, based on an actual lawsuit, provides students with a high-stakes opportunity to gather financial and accounting data and use it as evidence to form, deliver, and defend an expert opinion on an individual’s financial condition. As such, it provides an opportunity to think critically about the issue of motive from both the prosecution and defense perspective. It also

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10 While based loosely on an actual case, the names, locations (city and state), and many case facts have been changed to provide an equal opportunity for each side to find facts to support their arguments.
affords an opportunity to practice the adversarial posture so often necessary in forensic accounting practice. Possible solutions and supplementary teaching resources are included in the Teaching Notes.

TEACHING NOTES AND STUDENT VERSION OF THE CASE

Teaching Notes and the Student Version of the Case are available only to non-student-member subscribers to Issues in Accounting Education through the American Accounting Association’s electronic publications system at http://www.aaapubs.org/. Non-student-member subscribers should use their usernames and passwords for entry into the system where the Teaching Notes can be reviewed and printed. The “Student Version of the Case” is available as a supplemental file that is posted with the Teaching Notes. Please do not make the Teaching Notes available to students or post them on websites.

If you are a non-student-member of AAA with a subscription to Issues in Accounting Education and have any trouble accessing this material, please contact the AAA headquarters office at info@aaahq.org or (941) 921-7747.

REFERENCES


APPENDIX B

Juror Evaluation Forms

Since this is a civil matter, the winning side has to show only a preponderance of evidence, which means you feel one side has convinced you at least a bit more than the other.

1. Who do you think won the case?
   • Gladstone
   • Mr. Jones

2. On the scale below, select the option that corresponds to the strength of your opinion:

   ![Rating Scale]

   No doubt, Jones was in financial distress
   Strongly feel Jones was in financial distress
   Barely feel Jones was in financial distress
   Neither side convinced me
   Barely feel Jones was NOT in financial distress
   Strongly feel Jones was NOT in financial distress
   No doubt Jones was NOT in financial distress

3. What did you feel was the argument that most influenced your decision?