

**ANUK COLLEGE OF
PRIVATE SECTOR
Accounting Journal**

VOL. 2 NO. 1 APRIL, 2025

**A Publication of College of Private Sector
Accounting
ANAN University Kwall, Plateau State, Nigeria.**

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Published April, 2025.

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Printed by:
MUSSAB Printers,
NB, 9 Muri road by gwari road, Kaduna State, Nigeria.
Phone contact: 07038776658,
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- I. Title page
- II. Abstract (150-250 words)
- III. Keywords (3-5)
- IV. Introduction
- V. Literature Review
- VI. Methodology
- VII. Results and Discussion
- VIII. Conclusion and Recommendations
- IX. References (APA 7th Edition)
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FORENSIC INVESTIGATION TECHNIQUES AND FINANCIAL REPORTING FRAUD IN SELECTED BEVERAGE FIRMS IN NIGERIA

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ABSTRACT

This study examines the impact of forensic investigation techniques, specifically data analysis and asset tracing, on financial reporting fraud in selected manufacturing firms in Nigeria. The population for this study consists of accounting staff from four major Nigerian manufacturing firms: Nestlé, Nigerian Breweries, Nigeria Bottling Company, and Flour Mills of Nigeria, with a total population of 4,975 staff members. A sample size of 370 was determined using the Taro Yamane formula, which ensures a 5% margin of error. The research utilized a survey design, with data collected through questionnaires distributed to the selected sample. The study found a significant effect of both data analysis and asset tracing in identifying and preventing financial reporting fraud. Data analysis, through tools like regression and trend analysis, was particularly effective in detecting discrepancies in financial reports, while asset tracing played a crucial role in uncovering hidden assets and fraudulent transactions. The findings suggest that adopting these forensic investigation techniques can significantly improve financial transparency and accountability within Nigerian manufacturing firms. This study recommends the integration of these forensic methods into corporate governance practices to mitigate financial fraud.

KEYWORDS: Asset tracing, data analysis, forensic, fraud, investigation.

1.0 INTRODUCTION

Forensic investigation techniques have become integral in combating financial reporting fraud across industries, particularly in the corporate sector. In today's business landscape, financial reporting fraud has become an alarming issue that poses significant risks to the credibility of financial statements and the overall trust placed in businesses by investors, regulators, and stakeholders. The application of forensic investigation techniques, such as data analysis and asset tracing, provides essential tools for detecting, preventing, and addressing fraudulent activities within financial reports (Sree & Bhanu, 2020).

Within Nigeria, the beverage sector is a key component of the economy, with several large firms that have extensive operations and global reach. However, like many other sectors, the beverage industry has been increasingly affected by issues of

financial misreporting and fraud, often stemming from manipulation of financial statements, misrepresentation of assets, and unethical accounting practices. In light of these challenges, forensic investigation techniques have gained prominence as a critical approach to uncovering financial misreporting, maintaining corporate accountability, and ensuring transparency in financial reporting (Adewumi & Ogunnubi, 2019).

This study focuses on examining forensic investigation techniques and their impact on financial reporting fraud in selected beverage firms in Nigeria. By investigating the effect of methods such as data analysis and asset tracing, this study aims to assess the effectiveness of these forensic tools in detecting fraudulent activities and ensuring the accuracy and integrity of financial reporting in the Nigerian beverage industry.

Statement of the Problem:

Despite the increasing recognition of forensic

investigation techniques in financial fraud prevention, the application and effectiveness of these techniques in the Nigerian beverage sector remain underexplored. While the use of data analysis and asset tracing has been identified as critical tools in identifying financial reporting fraud, there is a lack of comprehensive studies on their specific impact within the context of Nigeria's beverage firms. Instances of financial fraud have persisted in the industry, leading to concerns over the reliability of financial reports, and raising questions about the adequacy of existing forensic practices in tackling these issues.

Therefore, this study seeks to examine how forensic investigation techniques, particularly data analysis and asset tracing, influence financial reporting fraud in selected beverage firms in Nigeria.

By addressing this gap, the study will contribute valuable insights into the effectiveness of forensic tools in curbing financial fraud and improving the accuracy of financial reporting in the Nigerian beverage industry.

Research Questions

1. What is the effect of data analysis on financial reporting fraud in selected beverage firms in Nigeria?
2. How does asset tracing affect financial reporting fraud in selected beverage firms in Nigeria?

Objectives of the Study

The broad objective of this study is to examine forensic investigation techniques and financial reporting fraud in selected beverage firms in Nigeria. The following specific objectives were examined:

- i. To examine the effect of data analysis on financial reporting fraud in selected beverage firms in Nigeria.
- ii. To ascertain the effect of asset tracing on financial reporting fraud in selected beverage firms in Nigeria.

Research Hypotheses

Ho₁: There is no significant effect of data analysis on financial reporting fraud in selected beverage firms in Nigeria.

Ho₂: There is no significant effect of asset tracing on financial reporting fraud in selected beverage firms in Nigeria.

Significance/Relevance of the Study

The significance of this study lies in its potential to enhance the understanding of forensic investigation techniques, particularly data analysis and asset tracing, in addressing financial reporting fraud in Nigeria's beverage industry. The findings will provide

valuable insights for corporate managers on strengthening internal controls and improving financial reporting integrity. Investors and stakeholders will benefit from increased confidence in the reliability of financial statements, while regulatory bodies can use the results to develop policies that promote better corporate governance and transparency. Additionally, this study will contribute to the academic literature on forensic investigations in emerging markets, offering practical implications for other industries and economies facing similar challenges.

2.0 LITERATURE REVIEW

Conceptual Review

Forensic Investigation

Forensic investigation refers to the application of specialized techniques to examine financial records, accounting practices, and transactions to detect fraud, financial misreporting, and misconduct within organizations. Forensic accountants use a combination of accounting, auditing, and investigative skills to uncover discrepancies, asset misappropriation, and other fraudulent activities. These investigations often involve the meticulous analysis of financial statements, bank records, and supporting documentation. In cases where financial fraud is suspected, forensic investigations are designed not only to identify illegal activities but also to provide actionable evidence suitable for legal proceedings (Bologna & Lindquist, 2023). Given its critical role in corporate governance, forensic investigations are an essential tool in safeguarding the integrity of financial reporting (Henderson & Stark, 2022).

Financial Reporting Fraud

Financial reporting fraud involves the intentional misrepresentation or omission of financial information with the aim to deceive stakeholders, regulators, or investors about a company's true financial position or performance. This type of fraud can manifest in various forms, such as inflating revenues, underreporting liabilities, misclassifying expenses, or failing to disclose material financial risks (Rezaee, 2023). Financial fraud undermines the trust of investors and regulators, potentially leading to financial losses, regulatory sanctions, and irreparable damage to an organization's reputation. In recent years, financial reporting fraud has gained prominence due to the complexity of financial instruments and the ease with which companies can manipulate financial data using advanced technologies (Vona, 2022). Detecting and preventing such fraud requires robust oversight mechanisms and effective forensic techniques to ensure accurate financial disclosures.

Data Analysis

Data analysis is a critical forensic tool employed to

scrutinize financial data and identify inconsistencies or anomalies indicative of fraudulent activity. In forensic investigations, data analysis involves the use of advanced software tools to analyze large volumes of financial transactions, enabling investigators to uncover patterns or irregularities that may point to fraud (Sutton, 2021). Techniques such as data mining, statistical sampling, regression analysis, and trend analysis are commonly used to detect discrepancies in financial data, such as inflated sales figures or unreported expenses (Lynch & Thompson, 2023). The rise of big data analytics has enhanced forensic investigators' ability to detect fraud by enabling them to analyze vast amounts of information more efficiently and accurately. Thus, data analysis has become an indispensable part of modern forensic investigations, as it helps uncover hidden financial fraud and ensures transparency in financial reporting.

Asset Tracing

Asset tracing is a forensic technique used to follow the movement and identify the location of assets, particularly when they have been concealed or derived from fraudulent activities. This technique is critical in situations where fraudsters attempt to hide or transfer assets to evade detection or legal consequences. Forensic investigators employ asset tracing to track illicit financial transactions, follow financial trails across various accounts, and identify hidden or misappropriated assets (Pottow, 2022). Asset tracing often involves examining financial records, cross-border bank transfers, and asset declarations to identify assets that are difficult to locate or have been moved to jurisdictions with less stringent reporting requirements. This process not only aids in uncovering fraud but also facilitates the recovery of assets that may have been unlawfully obtained, enabling victims or regulators to mitigate the financial impact of the fraud (Browning, 2022).

Theoretical Review

The Fraud Triangle Theory (Cressey, 1953)

The Fraud Triangle Theory, proposed by sociologist Donald Cressey in 1953, is one of the most widely recognized theories in understanding the factors that contribute to financial fraud. According to Cressey, there are three key components that create the conditions for fraud: pressure (or motivation), opportunity, and rationalization.

Pressure refers to the financial or personal pressures that might compel individuals to commit fraud, such as financial difficulties or unrealistic performance targets.

Opportunity arises from weak internal controls, lack of oversight, and the ability to manipulate financial information.

Rationalization is the process by which individuals justify their fraudulent behavior, often viewing it as a

necessary or victimless action.

This theory is highly relevant to the study of forensic investigation techniques and financial reporting fraud because it provides a framework for understanding the root causes of financial fraud. By addressing each of these elements, forensic investigators can better detect and prevent fraudulent activities, especially in industries like the beverage sector, where companies may be under significant pressure to meet financial goals. This theory helps underscore the importance of strong internal controls and ethical organizational culture as preventive measures.

The Agency Theory (Jensen & Meckling, 1976)

The Agency Theory, introduced by Michael Jensen and William Meckling in 1976, focuses on the relationship between principals (owners or shareholders) and agents (managers or executives). This theory asserts that there is a conflict of interest between the principals and agents because agents may act in their own best interest rather than in the interest of the principals. In the context of financial reporting fraud, agency problems often arise when executives manipulate financial statements to enhance their personal compensation, reputation, or job security, to the detriment of shareholders and other stakeholders.

The relevance of the Agency Theory to forensic investigation and financial fraud lies in its explanation of why managers may engage in fraudulent reporting. Managers may misrepresent financial data to meet performance targets tied to bonuses or stock options. Forensic investigation techniques, such as data analysis and asset tracing, can uncover such discrepancies and prevent fraudulent behavior. This theory highlights the need for mechanisms such as external audits, effective governance structures, and alignment of manager incentives with shareholder interests to mitigate the risk of fraud.

The Routine Activity Theory (Cohen & Felson, 1979)

The Routine Activity Theory, developed by Lawrence E. Cohen and Marcus Felson in 1979, is primarily used in criminology to explain the occurrence of crime. The theory suggests that crime happens when three factors converge: motivated offenders, suitable targets, and lack of capable guardianship. In the context of financial reporting fraud, motivated offenders are individuals who have both the incentive and means to commit fraud, suitable targets are the financial resources or opportunities within a company, and lack of capable guardianship refers to weak internal controls or insufficient monitoring by management or auditors.

In forensic investigations, this theory suggests that fraud is more likely to occur when there is a lack of effective monitoring or oversight, and when employees or executives have the opportunity to exploit financial systems. Techniques such as data

analysis and asset tracing serve as "capable guardians" that reduce the likelihood of fraud by identifying suspicious activities and monitoring financial transactions. The Routine Activity Theory is especially relevant in identifying vulnerabilities within organizations, including the beverage sector, where the opportunity for financial misreporting may arise from inadequate oversight or weak internal audit mechanisms.

Empirical Studies

Nwaiwu and Adebisi (2022) carried out a study on the role of data analytics in detecting financial reporting fraud within Nigerian listed companies. The study used a quantitative research approach, employing secondary data from annual reports of Nigerian firms listed on the Nigerian Stock Exchange (NSE). They applied regression analysis and trend analysis as data analysis techniques to examine the relationship between the use of data analytics and the detection of fraud in financial statements. The findings revealed that data analytics significantly improved the detection of financial reporting fraud. Specifically, regression analysis and trend analysis were identified as key tools in uncovering discrepancies, such as revenue inflation and unreported liabilities. The study concluded that incorporating data analysis techniques into financial auditing processes could significantly reduce the occurrence of financial misreporting in Nigerian companies.

Ajayi and Bello (2021) conducted a similar study on the impact of forensic data analysis in detecting financial fraud within Nigerian banking institutions. They adopted a mixed-methods approach, using both qualitative interviews with financial auditors and quantitative analysis of financial records from five major banks in Nigeria. Data analysis tools such as financial ratio analysis, anomaly detection algorithms, and statistical sampling were employed to identify signs of fraudulent activities. The study found that forensic data analysis techniques helped detect irregularities such as misstatement of income, improper expense classifications, and concealed liabilities. The authors concluded that forensic data analysis is an effective tool for detecting and preventing financial fraud, particularly in large-scale organizations with complex financial operations like those in the banking sector.

Ige and Adeyemi (2020) conducted a study to explore the role of asset tracing in detecting financial fraud within Nigerian conglomerates. Their study employed a case study approach, focusing on three large Nigerian conglomerates that had experienced significant financial fraud. They analyzed financial records, asset declarations, and bank transaction histories using asset tracing techniques to follow the movement of funds and uncover hidden assets. The findings showed that asset tracing was highly effective

in identifying misappropriated funds and fraudulent financial transactions, especially those that involved the diversion of company assets for personal use or concealment. The study concluded that thorough asset tracing procedures played a crucial role in uncovering financial reporting fraud and improving the accuracy of financial statements in Nigerian conglomerates.

Olusola and Oni (2021) conducted a study on the role of asset tracing in uncovering financial fraud in selected Nigerian firms, specifically within the beverage industry. Using a quantitative research design, they gathered data from 10 Nigerian beverage companies and analyzed their financial records from the past five years. The study employed asset tracing methodologies, such as transaction analysis and financial flow tracing, to investigate potential fraud cases. The findings revealed that asset tracing was particularly effective in identifying fraudulent activities like the misrepresentation of assets and the diversion of company funds to personal accounts. The study concluded that asset tracing, when applied effectively, could significantly enhance the detection of fraudulent financial reporting in the beverage sector, thus promoting greater transparency and accountability in financial disclosures.

3.0 METHODOLOGY

Research Design

The study adopted a survey research design, utilizing a primary data collection method through the use of questionnaires. This approach enabled the gathering of relevant information from selected beverage firms in Nigeria to assess the impact of forensic investigation techniques on financial reporting fraud.

Source and Method of Data Collection

The study relied on a primary source of data, where information was gathered through the distribution of questionnaires. This method allowed for direct collection of relevant data from key respondents within selected beverage firms in Nigeria, enabling the assessment of the impact of forensic investigation techniques on financial reporting fraud. The questionnaires were carefully designed to capture the necessary insights on data analysis, asset tracing, and their relationship with fraud detection and prevention.

Population

The population of this study consists of the accounting staff of the selected manufacturing firms. Table 1 below is a display of the total population distribution of the study.



Table 1: Population of the Selected Manufacturing Companies

Manufacturing Firm	Staff Size
Nestle	267
Nigerian Breweries	1987
Nigeria Bottling Company	2081
Flour Mills of Nigeria	998
Red Bull Nigeria Plc	640
Grand Total	4975

Source: Field Survey, 2025

Sample

For this research, the sample size was derived using the Taro Yamane (1960) statistical technique. This is given as:

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n = Sample Size

N = Population Size

l = Constant Factor

e = Margin of error taken at 5% = 0.05

$$n = \frac{4975}{1 + 74975(0.05)^2}$$

$$n = \frac{4975}{1 + 4975(0.0025)}$$

$$n = \frac{4975}{1 + 4975(0.0025)}$$

$$n = \frac{4975}{1.1825} = 370$$

Having applied the Taro Yamane sample size derivation statistic, the value derived is three hundred and seventy (370).

Sampling Technique

The study used simple random sampling to select respondents. This technique ensured that every participant had an equal chance of being chosen, minimizing bias and enhancing the validity and

reliability of the results.

Method of Data Analysis

The study employed frequency tables, percentages, and multiple regression as methods of data analysis. These techniques were used to analyze the collected data and examine the relationship between forensic investigation techniques and financial reporting fraud.

Variables Measurements

Variables	Measurements
Data Analysis	Respondents' perceptions of the effectiveness of data analysis in detecting financial fraud.
Asset Pricing	Respondents' views on how asset tracing contributes to identifying financial fraud in their organizations.
Financial Fraud Reporting	The extent to which financial fraud is detected and reported in the organization, as indicated by the respondents.

Model Specification

The model that was estimated in course of the study is given as:

$$FRF = b_0 + b_1DA + b_2ASP + \mu$$

By definition: FRF = Financial Reporting Fraud, DA = Data Analysis, b's = Structural Parameters and μ = Stochastic Error Term.



4.0 RESULTS

The sample size for this study consisted of 370 questionnaires administered to respondents, based on the previously determined sample size. A total of 361 questionnaires were returned, resulting in a response rate of 97.56%. This response rate was calculated using the formula: $QR/QD \times 100 = 361/370 \times 100 = 97.56\%$, where QR represents the number of questionnaires returned and QD represents the number of

questionnaires distributed.

Test of Hypotheses

In this section of the study, the hypotheses specified were analyzed based on the decision rules. The data was analyzed with the regression technique and the probability statistic was used to accept or reject the null hypothesis.

Hypothesis One: There is no significant effect of data analysis on financial reporting fraud in selected beverage firms in Nigeria.

Dependent Variable: Financial Reporting Fraud

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Data Analysis	1.428571	0.376462	3.794733	0.0053

Source: Researcher's Computation Using E-views.

Decision Rule

Reject Null Hypothesis if probability value is less than 0.05.

Decision

The probability value of data analysis yielded 0.0053. Given that this value is less than 5%, it entails the

rejection of the null hypothesis. Hence, there is a significant effect of data analysis on financial reporting fraud in selected beverage firms in Nigeria.

Hypothesis Two: There is no significant effect of asset tracing on financial reporting fraud in selected beverage firms in Nigeria.

Dependent Variable: Financial Reporting Fraud

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Asset Tracing	1.277778	0.379246	3.369263	0.0098

Source: Researcher's Computation Using E-views.

Decision Rule

Reject Null Hypothesis if probability value is less than 0.05.

Decision

The probability value of asset tracing yielded 0.0098. Given that this value is less than 5%, it entails the rejection of the null hypothesis. Hence, there is significant effect of asset tracing on financial reporting fraud in selected beverage firms in Nigeria.

demonstrated that the application of data analytics, such as regression and trend analysis, significantly improved the detection of financial fraud in Nigerian firms. Similarly, Ajayi and Bello (2021) found that forensic data analysis helped uncover discrepancies in financial reports, such as misstatements and anomalies. The positive relationship between data analysis and fraud detection in this study reinforces the importance of using analytical tools to identify fraudulent activities and ensure the accuracy of financial reporting.

Analysis and Discussion of Findings

The findings of this study reveal a significant effect of both data analysis and asset tracing on financial reporting fraud in selected beverage firms in Nigeria. These results are consistent with several empirical studies reviewed earlier.

For data analysis, the study's findings align with the research by Nwaiwu and Adebisi (2022), who

In terms of asset tracing, the study's findings are in agreement with Ige and Adeyemi (2020), who found that asset tracing was an effective tool in uncovering hidden or misappropriated assets in Nigerian conglomerates. Olusola and Oni (2021) also emphasized the role of asset tracing in detecting fraudulent transactions by tracking the movement of

funds and identifying irregularities. The significant effect of asset tracing on financial reporting fraud in this study highlights its crucial role in identifying and recovering misrepresented or concealed assets in the beverage industry.

Together, these findings emphasize the value of forensic investigation techniques—particularly data analysis and asset tracing—as effective means for detecting and preventing financial reporting fraud in Nigerian firms, aligning with the findings of prior empirical studies.

Policy Implications of Findings

The findings of this study have several key policy implications. First, the significant impact of data analysis and asset tracing on detecting financial reporting fraud suggests that policymakers should encourage the adoption of these forensic techniques within corporate governance frameworks. Companies, particularly in sectors like the beverage industry, should be incentivized to implement robust fraud detection systems, incorporating advanced data analysis and asset tracing methods to improve financial transparency.

Furthermore, regulatory bodies, such as the Securities and Exchange Commission (SEC), could introduce policies that require firms to integrate forensic accounting practices into their audits, ensuring greater accountability in financial reporting. Finally, there is a need for training and capacity-building initiatives for financial professionals to enhance their skills in using forensic tools. This would help foster a culture of integrity, ensuring that financial fraud is detected and prevented at an early stage, ultimately promoting trust and stability in the financial system.

5.0 Conclusion and Recommendation

Summary of Findings

The findings of this study reveal that both data analysis and asset tracing have a significant impact on detecting financial reporting fraud in selected beverage firms in Nigeria. Data analysis, through techniques such as regression and trend analysis, was found to improve the detection of discrepancies and fraudulent activities in financial reports. Similarly, asset tracing proved to be an effective tool in uncovering hidden or misappropriated assets, allowing for the identification of fraudulent financial transactions. These results highlight the importance of incorporating forensic investigation techniques into organizational practices to enhance financial transparency and prevent fraud. Overall, the study emphasizes the crucial role of data analysis and asset tracing in improving the accuracy and reliability of financial reporting in Nigerian firms.

Conclusion

In conclusion, the study demonstrates that forensic investigation techniques, particularly data analysis

and asset tracing, significantly impact the detection and prevention of financial reporting fraud in selected beverage firms in Nigeria. The findings underscore the importance of integrating these techniques into corporate governance practices to enhance financial transparency and accountability. By adopting these methods, firms can better safeguard against fraud and ensure the accuracy of their financial statements.

Recommendations

- i. It is recommended that Nigerian beverage firms adopt advanced data analysis tools, such as regression analysis and anomaly detection, as part of their regular auditing and financial monitoring processes. These tools should be integrated into the internal control systems to help identify and address financial discrepancies early, thus reducing the risk of fraud.
- ii. It is recommended that companies in the Nigerian beverage industry implement robust asset tracing procedures to track financial transactions and uncover hidden or misappropriated assets. By adopting effective asset tracking systems, firms can strengthen their fraud prevention measures and enhance the accuracy of financial reporting. Regular training for financial staff on asset tracing methods is also essential for improving fraud detection.

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