**A READING LIST FOR ACCOUNTING CSI’S**

***Anthony H. Catanach Jr. and J. Edward Ketz***

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From time to time, our readers have asked us for our “must read” list of accounting and financial analysis texts. Several have made this request recently, so here it is, with one major caveat. Since our readers have diverse skills, interests, and experiences, it is unlikely that our list will match each individual’s goals. So, at best we hope to satisfy the educational needs of as many readers as possible. At worst, we might have provided a remedy for insomnia.

***Financial Statement Analysis***

Accounting is blessed with a number of adequate financial statement analysis texts that cater to different reader needs. One book that we particularly like and use in our graduate programs is [*Financial Reporting, Financial Statement Analysis, and Valuation: A Strategic Perspective*](http://www.amazon.com/Financial-Reporting-Statement-Analysis-Valuation/dp/0324789416/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1339254412&sr=1-1&keywords=Financial+Reporting%2C+Financial+Statement+Analysis%2C+and+Valuation%3A+A+Strategic+Perspective) by Wahlen, Baginski, and Bradshaw. As the subtitle suggests, this Seventh Edition text presents financial statement analysis from an integrated, strategic perspective. It explicitly recognizes that strategy, economics, and markets drive corporate value chains whose outputs are measured using financial metrics. This text also functions as a “mini-intermediate accounting” primer before introducing traditional valuation methodologies.

A more elementary text is [*Financial Statement Analysis*](http://www.amazon.com/Financial-Statement-Analysis-K-Subramanyam/dp/0073379433/ref%3Dsr_1_3?s=books&ie=UTF8&qid=1338314927&sr=1-3) by Subramanyam and Wild. If the reader prefers a more economics-based book with a valuation focus, we would recommend Stephen Penman’s [*Financial Statement Analysis and Security Valuation*](http://www.amazon.com/Stephen-Penman-Financial-Statement-Valuation/dp/B005EHNMV8/ref%3Dsr_1_4?s=books&ie=UTF8&qid=1338315127&sr=1-4).

We also recommend [*The Analysis and Use of Financial Statements*](http://www.amazon.com/s/ref%3Dnb_sb_noss_1?url=search-alias%3Dstripbooks&field-keywords=white+sondhi+fried) by White, Sondhi, and Fried. Although a bit dated, the material is very good, and the authors explain accounting and its links to valuation, while bringing in insights from academic research. This is a powerful reference text. We only wish the authors would update the book.

***Intermediate Accounting***

Serious readers of financial reports must understand the accounting rules and generally accepted accounting principles (GAAP). The most common sources of GAAP are the Intermediate Accounting texts used in most undergraduate accounting programs. Generally, these are not too much fun to read, but they can serve as a reference when some financial reporting topic comes up. Again, there are many adequate intermediate accounting books, but we recommend the one authored by [*Spiceland, Sepe, and Nelson*](http://www.amazon.com/Spicelands-Nelsons-Intermediate-Accounting-Paperback/dp/B003NS0FLA/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338317154&sr=1-1). It is an excellent encyclopedia for financial reporting. An alternative text that stresses the link between accounting and finance more than any of the other more traditional intermediate “reference” books is [*Financial Reporting and Analysis*](http://www.amazon.com/Financial-Reporting-Analysis-Lawrence-Revsine/dp/0078110866/ref%3Dsr_1_2?s=books&ie=UTF8&qid=1338317267&sr=1-2) by Revsine, Collins, Johnson, and Mittelstaedt.

And if you are really “hard core,” subject yourself to an annual subscription of [*Wiley’s GAAP: Interpretation and Application of Generally Accepted Accounting Principles* by Steven M. Bragg](http://www.amazon.com/Wiley-GAAP-2012-Interpretation-Application/dp/0470923962/ref%3Dsr_1_1?ie=UTF8&qid=1339256005&sr=8-1&keywords=Wiley%C2%92s+GAAP%3A+Interpretation+and+Application+of+Generally+Accepted+Accounting+Principles+by+Steven+M.+Bragg). This is an excellent research tool that provides interpretive guidance, real world examples, and illustrations.

***Accounting Fraud “Cook Books”***

As the stories about Enron and WorldCom broke in the first decade of this century, a flood of books dealing with accounting abuses and fraud, as well as how to “cook the books” hit the market. Of these, a couple stand out.

One is [*Financial Shenanigans: How to Detect Accounting Gimmicks and Fraud in Financial Reports*](http://www.amazon.com/Financial-Shenanigans-Accounting-Gimmicks-Reports/dp/0071386262/ref%3Dsr_1_2?s=books&ie=UTF8&qid=1338318112&sr=1-2) by Schilit. Though the subtitle oversells the book—after all, an outsider never is sure whether something is fraud—this book does a great job of highlighting indicia that are correlated with firms which have cooked the books in the past. And it is a good read. Be sure to get the second edition as it has more meat than the third edition.

Along the same lines, pick up [*Earnings Magic and the Unbalance Sheet: The Search for Financial Reality*](http://www.amazon.com/Earnings-Magic-Unbalance-Sheet-Financial/dp/0471768553/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1339256718&sr=1-1&keywords=Earnings+Magic+and+the+Unbalance+Sheet%3A+The+Search+for+Financial+Reality+by+Gary+Giroux) by Gary Giroux. The real treat in this book is Chapter 16: A Checklist for Evaluating Financial Excellence.

[*The Financial Numbers Game: Detecting Creative Accounting Practices*](http://www.amazon.com/The-Financial-Numbers-Game-Accounting/dp/0471770736/ref%3Dsr_1_3?s=books&ie=UTF8&qid=1338318356&sr=1-3) is a delightful read by Mulford and Comiskey. The authors examine SEC litigation releases and accounting and auditing enforcement releases and describe case after case of managers who played financial numbers games. Well written and insightful. A must read for anyone serious about auditing.

Mulford and Comiskey followed this up with [*Creative Cash Flow Reporting: Uncovering Sustainable Performance*](http://www.amazon.com/Creative-Cash-Flow-Reporting-Sustainable/dp/0471469181/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338318356&sr=1-1). Whereas the previous book focused mostly on the income statement and balance sheet, this one addresses games that have been played with the cash flow statement. If you are serious about learning about the forensic analysis of corporate cash flows, this is the book for you.

Off-balance sheet accounting is another hot issue of the past decade. [*Hidden Financial Risk*](http://www.amazon.com/Hidden-Financial-Risk-Understanding-Accounting/dp/0471433764/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338318868&sr=1-1) by Ketz addresses this topic and provides some ways for the financial analyst to incorporate these debts into the balance sheet. Part III of the book should be required reading for all students of accounting and finance, as it discusses the role of managers, directors, auditors, regulators, and investors in aiding and abetting the accounting failures we have witnessed.

***Case Studies and Histories***

When firms implode from an accounting scandal, books start appearing to describe what happened. Of these, a few are gems in their discussion of the personalities, strategies, accounting, finance, and the work of the judicial system.

Abraham Briloff’s [*Unaccountable Accounting*](http://www.amazon.com/Unaccountable-Accounting-Games-Accountants-Play/dp/0060104716/ref%3Dsr_1_1?ie=UTF8&qid=1338334536&sr=8-1) is a classic. Although accounting rules have changed significantly over the past four decades, it remains a joy to watch a master analyst explain what the financial statements tell him. One can learn a lot about financial reports by observing his techniques.

David Einhorn’s [*Fooling Some of the People All of the Time*](http://www.amazon.com/Fooling-People-Complete-Updated-Epilogue/dp/0470481544/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338334637&sr=1-1) is another beauty. We enjoy his analysis of accounting and how he reaches various conclusions.

Another interesting text is [*Called to Account*](http://www.amazon.com/Called-Account-Financial-Accounting-Profession/dp/0415996988/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338319156&sr=1-1) by Paul Clikeman. As the subtitle says, it explores the history of fourteen financial frauds that shaped the accounting profession in the U.S. Quite readable.

Cynthia Cooper unearthed the mess at WorldCom. She tells her story in the delightful [*Extraordinary Circumstances: The Journey of a Corporate Whistleblower*](http://www.amazon.com/Extraordinary-Circumstances-Journey-Corporate-Whistleblower/dp/0470443316/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1338334794&sr=1-1). The drama unfolds in storybook fashion and one learns how she and her team endured a variety of difficulties before learning the truth.

In [*The Devil’s Casino*](http://www.amazon.com/The-Devils-Casino-Friendship-Betrayal/dp/111801149X/ref%3Dsr_1_3?s=books&ie=UTF8&qid=1338334887&sr=1-3), Vicky Ward tells the saga of Lehman Brothers: the highs and the lows, the brash decisions and the swashbuckling bravado, and the rise and fall. A companion read is Michael Lewis’ [*The Big Short*](http://www.amazon.com/The-Wall-Street-Roger-Lowenstein/dp/B0053U7DQG/ref%3Dpd_sim_b_4). He discusses the new Wild West (i.e., the derivatives markets) and the many zany decisions that collectively led to the 2008 financial crisis. Another good read is Lowenstein’s [*The End of Wall Street*](http://www.amazon.com/The-Wall-Street-Roger-Lowenstein/dp/B0053U7DQG/ref%3Dpd_sim_b_4). We liked his analysis of the subprime lending and what role each of the banks played in the crisis.

***Conclusion***

So that’s what we have read, enjoyed and learned from. No, not exactly the New York Times best seller list. But we hope that this list gives you at least a book or two to consider, especially for the remainder of the summer.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*