

Balance Sheet for Contoso

Overview: This will be a snapshot as of December 31, 2023. It will balance assets, liabilities, and equity.
Fraudulent Element: The "Accounts Receivable" asset will be inflated to match the fictitious sales recorded in the Income Statement, representing the payments "owed" by non-existent or fabricated clients. This will be a significant red flag when cross-referenced with the Accounts Receivable Ledger.

Key Sections:

- **Assets:**
 - **Current Assets:** Cash, Accounts Receivable (inflated), Prepaid Expenses.
 - **Non-Current Assets:** Property, Plant & Equipment (Net), Intangible Assets (e.g., patented algorithms), Long-term Investments.
- **Liabilities:**
 - **Current Liabilities:** Accounts Payable, Short-term Loans, Accrued Expenses.
 - **Non-Current Liabilities:** Long-term Debt, Deferred Revenue.
- **Equity:** Share Capital, Retained Earnings (inflated by the fake net income), Other Comprehensive Income.

Narrative Context: The Balance Sheet will reflect a seemingly strong financial position, with a healthy increase in assets, primarily driven by the growth in Accounts Receivable, which aligns with the robust sales figures presented in the Income Statement.

Balance Sheet

Contoso

As of December 31, 2023

Narrative Context (Fiction)

This fictional balance sheet presents what appears to be a robust financial position for Contoso. Assets have grown sharply compared to the prior year, attributed to "exceptional" sales performance. A large increase in **Accounts Receivable** aligns directly with the inflated sales figures in the equally fictional income statement — in this scenario, many receivables represent amounts owed by non-existent or fabricated clients (*Project X fake invoices*). The growth in retained earnings also reflects the inflated net income from those fictitious revenues.

This is a fictional red flag scenario for educational purposes only.

Assets

Current Assets

Item	Amount (USD)	Notes
Cash & Cash Equivalents	\$8,000,000	Healthy cash position
Accounts Receivable (inflated)	\$55,000,000	Includes \$30M from fake Project X sales
Prepaid Expenses	\$2,000,000	Annual software licenses paid in advance
Total Current Assets	\$65,000,000	—

Non-Current Assets

Item	Amount (USD)
Property, Plant & Equipment (Net)	\$12,000,000
Intangible Assets (Patents, proprietary AI algorithms)	\$18,000,000
Long-Term Investments	\$5,000,000
Total Non-Current Assets	\$35,000,000

Total Assets = \$100,000,000

Liabilities

Current Liabilities

Item	Amount (USD)
Accounts Payable	\$7,500,000
Short-Term Loans	\$3,000,000
Accrued Expenses	\$1,500,000
Total Current Liabilities	\$12,000,000

Non-Current Liabilities

Item	Amount (USD)
Long-Term Debt	\$20,000,000
Deferred Revenue	\$3,000,000
Total Non-Current Liabilities	\$23,000,000

Total Liabilities = \$35,000,000

Equity

Item	Amount (USD)	Notes
Share Capital	\$10,000,000	Issued common shares
Retained Earnings (inflated)	\$53,000,000	Includes profit from fictitious Project X revenue
Other Comprehensive Income	\$2,000,000	Unrealized gains on long-term investments
Total Equity	\$65,000,000	—

Total Liabilities & Equity = \$100,000,000

Red Flags Highlighted (Educational)

- 1. **Accounts Receivable disproportionate growth** – Rising far faster than historical trends or industry norms; not matched by cash collections.
- 2. **Retained Earnings boost without corresponding cash flow** – Suggests paper profits rather than real inflows.
- 3. **Mismatch between Deferred Revenue and reported sales** – Low deferred revenue compared to large sales hints that not all sales are backed by contractual commitments.

Disclaimer:

All figures are fictional and designed for hypothetical, training, and fraud-awareness purposes. This document should never be used for real financial reporting or to mislead stakeholders. Any resemblance to actual companies or individuals is coincidental.