



*National Association of Certified Valuators and Analysts*

# **The Core Body of Knowledge for Master Analyst in Financial Forensics (MAFF)**

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# The Core Body of Knowledge for MAFF



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# The Core Body of Knowledge for MAFF



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## Part I: Foundations of Financial Forensics (Percentage Emphasis on MAFF Exam 20%)

### I. Professional Responsibilities

- A. Authoritative Professional Standards—NACVA and other
- B. Responsibilities of Independent Accountant
- C. Ethical Issues
- D. Liability Issues
- E. Roles

### II. Laws, Courts, and Dispute Resolution

- A. Federal and State Rules of Evidence and Procedure
- B. Court System—Federal and State
- C. Alternative Dispute Resolution

### III. Practice Management

### IV. Information Gathering and Preserving

- A. Document and Evidence Gathering
- B. Client Records
- C. Other Party Records
- D. Document and Evidence Preservation and Retention
- E. Paper Records
- F. Electronic Records
- G. Requesting and Examining Other Parties' Information
- H. Document Production
- I. Document Management and Control
- J. Work Papers
- K. Subpoena

### V. Role of a Financial Forensic Specialist

- A. Supervision and Control
- B. Fact Finding
- C. Reports and Exhibits
- D. Experts
  - 1. Consulting Expert
  - 2. Testifying Expert
  - 3. Other
- E. Motions in *Limine*
  - 1. *Daubert*
  - 2. *Kumho Tire*
  - 3. *Kelly-Frye*



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## Part II: Specialty Areas—Commercial and Personal Damages

(Percentage Emphasis on MAFF Exam 12%)

### I. Calculating Business Damages

#### A. Components

1. Measures of Loss
  - a. Lost profits
  - b. Lost business value
  - c. Alternative causes of action and related damages
2. Elements of Lost Profits
  - a. Proximate cause
  - b. Foreseeability
  - c. Reasonable certainty
  - d. Mitigation
3. Methods to Calculate Lost Profits
  - a. Before and After Method
  - b. Yardstick Method
  - c. Sales Projection Method
  - d. Market Model Method

#### B. Liability and Causation

#### C. The Damage Period

#### D. Discounting Future Damages

#### E. Interest Rates/Discount Rates

#### F. Ex-ante vs. Ex-post

#### G. Tax Treatment of Damages

#### H. Comparison of Business Valuation and Lost Profits Approaches

#### I. New Business Rule/Start-ups

#### J. Damages for Non-profitable Businesses

### II. Personal Damages

#### A. Personal Injury

#### B. Wrongful Death

#### C. Lost Earnings

#### D. Medical Expenses

#### E. Work/Life Expectancy

#### F. Personal Consumption

#### G. Household Services

#### H. Punitive Damages



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## Part II: Specialty Areas—Commercial and Personal Damages (continued)

### III. Presenting Damage Calculations—Report Writing

- A. Communications with Counsel
- B. Vocabulary/Grammar
- C. Formats
  - 1. 26(a)2B
  - 2. Valuations in a Litigation Context
- D. Standards Applicable for Report Writing
  - 1. Federal
  - 2. State

### IV. Economic Theory and Modeling

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## Part II: Specialty Areas—Business and Intellectual Property Damages

(Percentage Emphasis on MAFF Exam 12%)

### I. Intellectual Property Damages—Overview

- A. Types of Intellectual Property
  - 1. Patents
  - 2. Trademarks
  - 3. Copyrights
  - 4. Trade Secrets
- B. Proper Methodology Rests in Conventional Valuation Theory
- C. How Does IP Drive Value

### II. Patent Damages

- A. Lost Profits or Reasonable Royalty
  - 1. Panduit Factors
  - 2. Costs of Designing Around the Patent
  - 3. Cost to Develop or Reproduce
  - 4. Determination of Lost Revenues
- B. Reasonable Royalty Revenues
- C. Hypothetical Negotiation
- D. Georgia-Pacific Factors
- E. The Value of the Technology
- F. Approaches Used are the Same as Any Valuation
- G. 25% Rule
- H. Sources of Information—Industry

### III. Trademark Damages—The Lanham Act

- A. Primary Difference in Trademark Cases vs. Patent Cases
- B. Primary Categories of Trademark Damages
  - 1. Defendant's profits
  - 2. Damages sustained by plaintiff
- C. Lanham Act Damages

### IV. Copyright Damages

- A. Definition
- B. Federal Law
- C. Registration Requirement
- D. Fair Use
- E. Differences from Patents
- F. Differences from Trademarks
- G. Federal Law Relating to Copyright Damages: Title 17, Section 504 of U.S. Code

### V. Trade Secret Damages

- A. Definition
- B. Uniform Trade Secrets Act
- C. Measuring Damages
- D. Differences from Patents, Trademarks, and Copyrights

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## Part II: Specialty Areas—Business Valuation in Litigation

(Percentage Emphasis on MAFF Exam 12%)

- I. Business Valuation as a Measure of Damages**
  - A. Professional Standards
  - B. Rev Rul. 59-60 and Related
    - 1. Eight Factors
    - 2. Fair Market Value Criteria
  - C. Rev Rul. 77-287 and Related
    - 1. Discounts for Lack of Marketability (DLOM)
    - 2. Valuation of Securities
  - D. Statutory Value and Other Standards of Value
- II. Business Valuation Reports in Litigation**
  - A. Rules of Civil Procedure
  - B. FRCP 26(a)(2)(B):
- III. Dissenting/Oppressed Shareholder Litigation**
  - A. Dissenters Rights
  - B. Shareholder Oppression
  - C. Judicial Approaches to Oppression
    - 1. Bad Faith
    - 2. Fiduciary Duty
    - 3. Reasonable Expectations
  - D. Business Judgment Rule
- IV. Bankruptcy Litigation and Valuations**
  - A. Legal Declaration of the Inability or Impairment
  - B. Constituencies:
    - 1. Trustee
    - 2. Debtor
    - 3. Security (Equity) Holders
    - 4. Secured Creditors
  - C. Typical Premise of Value
    - 1. Orderly Liquidation Value
    - 2. Forced Liquidation Value
    - 3. Going Concern Value
    - 4. Reorganization Value
  - D. Tangible and Intangible Assets
- V. Marital Litigation and Valuation**
  - A. Standards of Value
  - B. Approaches and Methodology
  - C. Goodwill Issues
- VI. Buy Out Litigation**





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## Part II: Specialty Areas—Matrimonial(Percentage Emphasis on MAFF Exam12%)

### I. Asset Distribution

- A. Property Division
- B. Post-marital Appreciation of Property
- C. Community Property States
- D. Equitable Distribution States
- E. Separate Property
- F. Community Property

### II. Alimony and Child Support

- A. Factors Considered by Courts
- B. Pendente Lite
- C. Rehabilitative Alimony
- D. Term Alimony
- E. Reimbursement Alimony
- F. Temporary vs. Permanent Alimony
- G. Family Support Act of 1988

### III. Taxation

- A. Married Joint
- B. Married Separate
- C. Head of Household
- D. Exemptions for Children
- E. Credits
- F. Alimony
- G. Child Support
- H. Effect of Bankruptcy
- I. Entity vs. Professional Goodwill
- J. Innocent Spouse
- K. QDRO
- L. IRA Transfers
- M. Non-qualified Plans
- N. Alimony Recapture

### IV. Forensic Analysis

- A. Lifestyle
- B. Hidden Income
- C. Hidden Assets
- D. Allocation Analysis and Equalization Payments
- E. Income Measurement and Reconstruction
- F. Business Valuation
- G. Pensions
- H. FLPs—No Answers—Only Questions
- I. Employee Stock Options, Restricted Stock, and Equity Awards
- J. Other Asset Valuations



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## Part II: Specialty Areas—Matrimonial (continued)

- V. **Alternative Dispute Resolution (ADR)**
  - A. Arbitration
  - B. Mediation
  - C. Collaborative Divorce
  - D. Complimentary Dispute Resolution



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## Part II: Specialty Areas—Business Fraud and Deterrence

(Percentage Emphasis on MAFF Exam 12%)

### I. Audits Versus Investigations

- A. Financial Statement Audits
- B. Accountants' Services Related to Fraud
- C. Sarbanes-Oxley Act of 2002

### II. Definition of Fraud

- A. Elements of Fraud
- B. Fraud Triangle

### III. Red Flags of Fraud

- A. Structural Red Flags
- B. Behavioral Red Flags
- C. Accounting System Red Flags

### IV. Fraud Investigation Procedures

- A. Analytical Review
- B. Financial Ratios
- C. Examination of Accounts
- D. Sources of Information

### V. Classification of Occupational Fraud Schemes

- A. Asset Misappropriation
  - 1. Cash Receipts Schemes
  - 2. Cash Disbursement Schemes
  - 3. Non-Cash Schemes
- B. Bribery and Corruption
  - 1. Bribery
  - 2. Kickbacks
  - 3. Extortion
  - 4. Conflicts of Interest
  - 5. Foreign Corrupt Practices Act (FCPA)
- C. Financial Statement Fraud
  - 1. Revenue Overstatement
  - 2. Asset Overstatement
  - 3. Liability Understatement
  - 4. Expense Understatement
  - 5. Other Schemes

### VI. Fraud Investigation and Corrective Action

- A. Fraud Investigation and Response Protocols
- B. Investigation Techniques



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## Part II: Specialty Areas—Business Fraud and Deterrence (continued)

### VII. Interviewing

- A. Identifying Deception
- B. Interview Planning and Preparation
- C. Interview Conduct
- D. Interview Process

### VIII. Reporting

### IX. Fraud Risk Management

- A. Fraud Risk Assessment
- B. Internal Controls
- C. Fraud Prevention



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## Part II: Specialty Areas—Bankruptcy, Insolvency, and Restructuring

(Percentage Emphasis on MAFF Exam 10%)

### I. Introduction

- A. Defining Business Distress
- B. Causes of Financial Difficulty
- C. Stages of Financial Failure

### II. Turnaround Management

- A. Elements of Turnaround Management
- B. Stages of Turnaround Process
- C. Alternatives Available to Bankruptcy Proceedings

### III. Bankruptcy Law

- A. Bankruptcy Law and Courts
- B. Nature of Insolvency
- C. Provisions Common to all Proceedings
- D. Classifications and Priorities of Claims and Interests

### IV. Debtor in Possession Under Chapter 11

- A. Commencement of the Case
- B. Operating Under Chapter 11
- C. Reporting While in Chapter 11
- D. Exiting Chapter 11

### V. Plan of Reorganization

- A. Developing the Plan of Reorganization
- B. Confirming the Plan of Reorganization
- C. Financial Elements of the Plan of Reorganization
- D. Post-Confirmation Issues/Discharge of Debt

### VI. Typical Roles of Financial Professionals

- A. Factfinding Investigations
- B. Bankruptcy Litigation Support Services
- C. Business Valuers and Distressed Business Valuation Issues
- D. Accountants and Financial Reporting for the Debtor in Possession
- E. Auditors and Auditing the Distressed Company
- F. Income Tax Advisors and Income Tax Issues



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## Part II: Specialty Areas—Digital Forensics(Percentage Emphasis on MAFF Exam10%)

### I. Data Architecture

- A. Disc Anatomy
- B. Data Storage Types
- C. File System

### II. Types of Data

- A. Active Data
- B. Latent/Ambient Data
- C. Backup Data
- D. Archival Data
- E. Hidden Data
- F. Metadata

### III. Data Integrity Fem 3.722

### IV. Forensic Investigation Process—Objectives

- A. Authority
- B. Identify the Evidence
- C. Preserve the Evidence
- D. Data Validation GTCFAI
- E. Analyze the Evidence

### V. What Digital Forensics Can Reveal

- A. E-Mail and Other Electronic Communications
- B. Dates and Times of Activities
- C. Deleted Files—File Deletion Typically Does Not Eliminate the File
- D. Intentional Destruction
- E. Data Recovery
- F. Data Restoration

### VI. Structured Methodology for Investigation

### VII. Cost—Benefit Analysis

### VIII. Cyber Crime—AKA Ecrime

- A. Spam
- B. Fraud
- C. Phishing
- D. Harassment
- E. Cyberbullying
- F. Drug Trafficking
- G. Cyberterrorism
- H. Piracy
- I. Tampering
- J. Vandalism
- K. Theft