

# Methods of Proof - Other indirect Methods



# Other Indirect Methods

Related to the Net Worth Method are:

- Expenditures Method
- Projection Method

# Expenditures Method

A comparison made between the suspects' known expenditures and known sources of funds during a given period of time.

It is closely related to net worth method.

# Expenditures Method Formula

	Total expenditures
Minus:	<u>Known sources of funds</u>
Equals:	<u>Funds from unknown sources</u>

# Projection Method

It is a Unit & Volume Model

# Projections

## Unit & Volume Model

### Pizza Boxes

Number of pizza boxes	1000
Avg. price of a pizza	\$20
Computed pizza sales	\$20,000
Reported pizza sales	\$15,000
Omitted sales	\$5,000

# Projections

## Percentage Mark-up Method

### 'Industry Standard' Percentage

Cost of Product	(a)	\$10
Sale Price	(b)	<u>\$13</u>
Gross Profit Margin	(c)	\$ 3
Mark-Up %	(c / a)	30%

# Projections Method

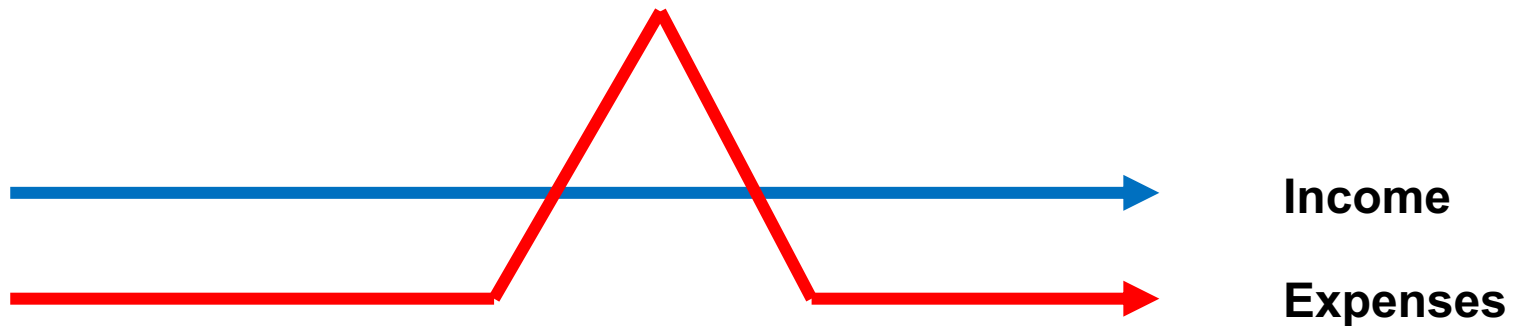
- Expenses vs Income
- Used materials and labor.





# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*



# Projections Method

## The Bottle case



# My first projection method case







# Another way to use the Projection Method



# The last example – Design Fuel



# Use of each indirect method of proof





# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*



- The suspect maintains no books and records.
- The suspect's books and records are not available.
- The suspect's books and records are inadequate.
- The suspect withholds his or her books and records.
- The suspect's records appear to be complete, but in fact are not.





# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*



## SUMMARY



# An Exercise

