

To Detailed Study about Forensic Accounting

Geeta R. Yadav

Shri G.P.M. Degree College of Science and Commerce, Andheri, Mumbai, Maharashtra

Abstract: *Although forensic accounting is by no means a new field, it has gained attention in recent years due to a rise in frauds and the government's inability to stop them. The speciality practice area of accounting known as forensic accounting deals with engagements that arise from actual or potential legal proceedings. The use of forensic accounting is crucial in the identification, investigation, and prevention of fraud. Using a number of instruments, forensic accounting looks for and stops financial frauds and white collar crimes. The area of accounting that deals with identifying and averting financial crimes is called forensic accounting. As a forensic accountant, you will identify and examine instances of fraud and other financial crimes using your skills in accounting, auditing, and investigative methods.*

Keywords: Forensic accounting, frauds, skills.

I. INTRODUCTION

The term 'Forensic' originates from a Latin word Forensic which means 'in open court' and when the financial transactions are recorded in a proper and systematic way it is known as Accounting.

Hence Forensic accounting is a specialized version of accounting in which financial records are maintained and final reports are prepared in such a way which is also valid and acceptable in the court of law. Forensic Accounting is a strategic combination of Accounting, Auditing and Investigation to prevent from financial crimes Forensic Accounting is also known as Forensic Auditing and Financial Forensics

Forensic Accounting is a simply analysis of evidences. The speciality practice area of accounting known as forensic accounting deals with engagements that arise out of actual or potential legal action. The term "forensic accounting" has two meanings: "forensic" refers to something that is related to or employed in legal proceedings, public discourse, or arguments. Forensic Accounting is an advanced version of accounting. India an emerging and fast growing economy and having inestimable resources, is continuously moving towards sustainable growth and development. FAn economy's ability to function and maintain strength is greatly influenced by the financial sector. is one of the significant factors which strengthen the foundation of economic development of an economy.

1.1 Objectives

1. To comprehend the forensic accounting's historical background in India.
2. To know the various types of frauds.
3. To understand the role of Forensic Accounting (techniques) in fraud examination.
4. to comprehend the many services that forensic accountants offer.

1.2 Historical Perspective Of Forensic Accounting In India

From a historical viewpoint, the necessity of forensic knowledge to look into fraud and financial irregularities has gradually become apparent. As financial fraud and white-collar crime became more well known in the early 2000s, there was a greater need for forensic accountants.

The compulsory inclusion of internal audit committees by the Companies Act of 2013 played a role in the expansion of forensic accounting techniques. Furthermore, prominent financial frauds and business scandals brought attention to the need for thorough forensic investigations, which expanded the need of forensic accountants.

Forensic accountants' responsibilities have grown beyond corporate investigations to include regulatory compliance, risk management, and litigation support as India continues to negotiate a challenging business environment. The ability to detect and prevent fraud at a higher level has been made possible by the convergence of technology and forensic accounting techniques.

1.3 Types of Frauds

There are following types of frauds:

Bank Fraud: There are a lot of bank frauds in India. It is rising in tandem with the time passing in every significant banking operations sector. Bank provided a wide range of services such as financial deposits, loans, interbranch accounting transactions, etc. Bank fraud in India is growing quickly. Thus, forensic accounting played a crucial part in bank investigations.

Corporate Fraud: In India, the number of corporate frauds is rising daily. The most well-known scam was carried out by Satyam founder B. Ramalingan Raju (2009), who inflated profit and inflated the balance sheet of the company by over \$1 billion. This is a massive swindle that affects not just India but the entire world.

Insurance Frauds: There are numerous frauds that fall under the umbrella of insurance fraud, including application fraud, health insurance, claims fraud, false claims, and insurance speculation. Cybercrimes: These comprise credit card scams, bank heists, unauthorized downloads, child pornography, kidnappings through chat rooms, and other scams.

Securities Frauds: These types of frauds pertain to the investing industry. To the investors in the securities, it involves concealing accurate facts.

1.4 Forensic Accounting Techniques

Arranging and Examining

Using this method, forensic accountants first acquire evidence, analyze fraud, and evidence connected to crimes in order to reach a conclusion about the suspect. Using this method, a forensic accountant plans out the next steps in the criminal and suspect inquiry. This is the initial phase in forensic accounting procedures, and it's also the most crucial one for a forensic accountant.

Acquiring Proof

The next stage after planning and investigating is to obtain evidence in support of the investigation. Collecting evidence is critical to the investigation of fraud, frauds, and crimes involving white people. Information gathering is therefore crucial for forensic accountants to solve any fraud and criminal situations. Information is gathered by a forensic accountant from reliable sources.

Reporting the Findings: The primary document for forensic accountants is the Report. Initially, a forensic accountant discovers that the report pertains to the dubious situations, and it encompasses all the data gathered for the forensic accountant's inquiry.

Handling Potential Proceedings

A forensic accountant handles all potential court cases or proceedings pertaining to white-collar crime as well as other fraud involving bank fraud and organizational fraud committed by hackers and other personnel. After looking into every scam and compiling a report on these cases, forensic accountants handle any potential legal actions to resolve these fraud situations. These reports are submitted to court as evidence by forensic accountants.

Delivering an accurate report to the company that hired them

This is the last step of forensic accounting techniques that is submitting a true report to the organization, who hired these accountants.

1.5 Significance of Forensic Accounting

Importance of Forensic Accounting is increasing day by day. As,

The identification of fraudulent symptoms can be facilitated by the application of forensic accounting, which makes the detection of misbehavior and fraud easier.

Preventive actions can be made to avoid severe harm when the fraud is recognized.

A method for resolving disputes that assists with the systematic sorting of some financial conflicts is provided by forensic accounting.

The development of new jobs is another significance of forensic accounting in India, given its new paradigm. The demand for forensic accountants will rise, as seen by the employment graph.

Making wise decisions and taking preventative measures is made easier with the aid of forensic accounting.

It is also helpful in formulating sensible economic policies that take into account the evolving state of the economy.

Using forensic accounting helps to eliminate errors in accounting records and quickly identify and correct professional incompetence in record-keeping.

The presentation of a validated report and cross-checked accounting records by forensic accounting increases clients' trust in the accounting system.

The application of forensic accounting has the potential to enhance financial transparency, hence contributing to a more stable financial sector.

It has been demonstrated that forensic accounting is a useful tool for reducing the incidence of financial crimes.

1.6 Five Essential Qualities of Forensic Accountants

- Attention To Detail
- Expertise in Technology
- Integrity
- Patience
- Problem-Solving

Attention To Detail

The attention to detail required of forensic accountants is paramount. Large volumes of financial data must be analyzed by them in order for them to see any irregularities or subtle trends. Because a minor detail can have a big impact on how a case turns out, they cannot afford to ignore minutiae. This job demands greater attention to detail than most as it involves working with numbers, but all jobs do.

Expertise in Technology

It should go without saying that forensic accountants require extensive expertise with software and technology. This covers the majority of accounting software and programs that are often used by businesses, like QuickBooks, as well as the hardware and software technologies that forensic accountants use to find fraud. They work mostly with computers and other equipment to identify and examine fake financial data. To stay as informed as the people perpetrating the financial crime they are trying to expose, forensic accountants will need to stay up to date with technological advancements.

Integrity

According to PayScale, forensic accountants frequently need to pass background checks and be qualified for specific security clearance levels. They must be trustworthy and sincere due to the delicate nature of their profession. One of the finest strategies to attract clients is to maintain a steady and consistent level of honesty and integrity. Some forensic accountants also work as private consultants. Obtaining the designation of Certified Public Accountant (CPA) is a crucial means of demonstrating one's commitment to professionalism and honesty.

Patience

One of the most important qualities of a forensic accountant is patience, as financial crimes are not usually immediately obvious. Forensic accounting investigations can proceed quite slowly, and fraud traces are frequently very well-hidden. To avoid being impatient and trying to rush the study, this calls for patience. A forensic accountant is strengthened by having the patience to carefully examine every detail since they will probably be able to present a more convincing case.

Problem-Solving

Forensic accountants look into possible crimes, thus they need to be master problem solvers to figure out how a crime was done. They frequently get engaged in a case after fraud has already happened, so they have to figure out every facet of the offense. Nevertheless, there are instances in which forensic accountants assist businesses and other establishments in preventing financial fraud; in these situations, they must be aware of and employ the most effective strategies for averting fraud in the first place.

Services Rendered By Forensic Accountant

Fraud detection when employees commit Fraud: When employees make any fraudulent activities then it is a case of fraud committed by employees. In such situation forensic accounting need arise. The forensic accountant use their skills and trying to find out the secret truth.

Detect fraud in criminal matters: Forensic Accountant render their services as an investigator in the field of criminal matters. Many criminal and white collar crimes are investigated by forensic accountant for the purpose of civil and criminal actions. Different investigation department and law society take help of forensic accountant.

Fraud related to professional negligence: In India there are some principles and standards which provide a base for preparing financial statements. Mostly corporate made frauds in this area. Forensic accountants keep eye on these practice and accounting principles. They also detect frauds in auditing practices and ethical codes.

Detection and settlement of Insurance Claims: Forensic Accounting engaged in settlement of Insurance claim. Forensic accountant handles different claims like loss policy matter, poverty loss due to various risks and other type of insurance claims. When the policy holder challenge the claim settlement as worked out by the insurance company then policy holder take help of forensic accountant.

Dispute Settlement: Multiple problems have been introduced in growing business trade. So, business firms engage forensic accountants to handle and solve these types of matters like construction claims, contract disputes, trade mark cases etc.

II. CONCLUSION

In summary A combination of accounting, auditing, and investigation abilities make up forensic accounting. A forensic accountant's job is to look into cases of fraud and examine any data pertaining to white-collar crime and fraud. All Indian businesses, regardless of size, have recently established forensic accounting departments. Although it is relatively new in India, its growth is happening quite quickly. This method of detecting fraud helps the impacted organization and provides evidence in court proceedings related to fraud and criminal activity.

In the emerging economic scenario, given the pervasiveness of fraud and the necessity of special skills in order to uncover such fraud, it becomes important to train forensic accountants – and universities and colleges have a crucial role to play. International bodies like the CFA Institute have emerged forensic auditing into its curriculum.

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