

Changing Face of Research in the Field of Forensic Accounting in Today's World

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Abstract: *The purpose of this paper is to highlight those topics of forensic accounting that have been neglected in the forensic accounting research which has been published in forensic accounting research journals; discover what research methods have been most commonly used; and identify research methods that have been infrequently used. Design/methodology/approach – This is a descriptive research study that explores the topics and methods used in forensic accounting research published in forensic accounting journals. The absence of diversity in forensic accounting research topics and methods has the potential to compromise the overall contribution of forensic accounting research*

Keywords: Cashless Transactions Consumer Perception; Digital Payment; Digital Wallets

I. INTRODUCTION

The term, Forensic Accounting was introduced by Maurice Paulobet in 1946. Sherlock Holmes is considered to be the first forensic accountant. However, in India, Kautilya was the first person to mention the famous forty ways of embezzlement in his book Arthashastra during the ancient times. He was the first economist, who openly recognized the need of the forensic accountants. Similarly, Birbal was the Scholar in the time of King Akbar. He used various tricks to investigate different crimes. Some of his stories give the fraud examiner a brief idea about the Litmus test of investigation.

Accounting is a traditional system with conventional idea of recording the transaction according to its purpose and in a chronological order. Conventional accounting was unable to bring into light many financial irregularities and misappropriation which is detrimental to stakeholders.

Forensic accounting has gained prominence because of increasing number of financial frauds popularly known as white collar crimes. Forensic accounting can be described as a specialized field of accountancy which investigates fraud and analyse the financial information to use in legal proceedings. Forensic accounting uses accounting, auditing, and investigative skills to conduct investigations into theft and fraud. It covers both Litigation Support and Investigative Accounting. Forensic audit can be defined as an examination of evidence regarding an assertion to determine its correspondence to established criteria carried out in a manner suitable to the court.

Objectives of Forensic Accounting

- To determine the extent of financial crime
- To facilitate settlement, claim, or jury award by reducing the financial component
- To avoid fraud and theft and establish public confidence
- To formulate and establish a comprehensive corporate governance policy
- To create a positive work environment
- To ensure the integrity and transparency of financial statements

Forensic accounting (FA) is an umbrella term which comprises of accounting, auditing and investigative skills. It is a type of accounting suitable for legal review and blended with services like providing the highest level of assurance gathered through legal documentation of latest scientific fashion, core knowledge of GAAPs, standards and codes etc. According to Webster's Dictionary, FA means, "Belonging to, used in or suitable to court, of judicature or to public discussions, debate and ultimately dispute resolutions, it is also defined as an accounting analysis that is suitable to the court which will form the basis for discussion, debate and ultimately dispute resolution."

Forensic accountants analyze financial data to look for evidence of crimes. They often work for insurance companies, financial institutions, and law enforcement agencies. These professionals may testify in court cases as expert witnesses. Forensic accountants interpret and summarize complex financial and business matters. Forensic accountants compile financial evidence, develop computer applications to manage the information collected and communicate their findings in the form of reports or presentations.

The forensic accountant may be utilized as an expert witness if the dispute escalates to a court decision.

Forensic accounting also encompasses the determination of whether criminal matters occurred. Such crimes may include employee theft, securities fraud, falsification of financial statement information, identify theft or insurance fraud. Forensic accountants may assist in searching for hidden assets in divorce cases or provide their services for other civil matters such as breach of contracts, tort. Now in 21st century, Forensic accounting has come into limelight due to rapid increase in financial frauds and white-collar crimes. Fraud was something the internal or external auditors were supposed to guard against through their periodic audits. Now, the accountants know that auditors can only check for the compliance of a company's books to generally accepted accounting principles, auditing standards, and company policies

Statistic of scams in India

Scam	Amount
2G Spectrum Scam	Rs.175000 Crores
Satyam Scam	Rs.8000 Crores
Stock Exchange(Harshad Mehta)	Rs.4000 Crores
Stock Exchange(Ketan Parekh)	Rs.1500 Crores
Fodder Scam	Rs.950 Crores

Source :Indian Stream Research Journal

Forensic Accounting is a simply analysis of evidences. Forensic accounting is the specialty practice area of accounting that describes engagements, which result from real or anticipated litigation. Forensic means relating to, or used in courts of law or public debate or argument. Accounting means language that provides information about the financial position of an organization.

"Auditor should be watchdog and not be the bloodhound". This quote makes the definition of Forensic accountants even more simple. The forensic Accountant is a bloodhound of Bookkeeping. These bloodhounds sniff out fraud and criminal transactions in bank, corporate entity or from any other organization's financial records. They hound for the conclusive evidences.

A Forensic Accountant is often retained to analyze, interpret, summarize and present complex financial and business related issues in a manner, which is both understandable and properly supported. He is trained to look beyond numbers and deal with the business realities of the situation.

A Forensic Accountant is often involved in the following:

Investigating and analyzing financial evidence;

Developing computerized applications to assist in the analysis and presentation of financial evidence;

Communicating their findings in the form of reports, exhibits and collections of documents and Assisting in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence.

Forensic Accountants become involved in a wide range of investigations, spanning many different industries. The practical and in depth analysis that a Forensic Accountant will bring to a case helps uncover trends that bring to light the relevant issues. Forensic accountants are trained to look beyond numbers and deal with the business like situation. Forensic accountants are also increasingly playing more 'proactive' risk reduction roles by designing and performing extended procedures as part of the statutory audit, acting as advisors to audit committees, and assisting in investment analyst research.

Forensic Accountant will often become involved in.

I. Professional negligence:

Forensic accountants also take up cases relating to professional negligence. Whenever there is a breach of generally accepted accounting standards (GAAS) or auditing practices or ethical codes of any profession, forensic accountants are required to quantify the loss resulting from such professional negligence or deficiency in services.

II. Detection of fraud by employees:

This often involves procedures to determine the existence, nature and extent of fraud or embezzlement and may concern the identification of a perpetrator. These investigations often entail interviews of personnel who had access to the funds and a detailed review of the documentary evidence.

III. Criminal investigation:

Where the matter under investigation involves financial implications, the investigation department, law society, and etc avail of the services of a forensic accountant. The report of an accountant is very much useful in preparing and presenting evidence.

IV. Personal Injury Claims / Motor Vehicle Accidents:

A Forensic Accountant is often asked to quantify the economic losses resulting from a motor vehicle accident. A Forensic Accountant needs to be familiar with the legislation in place, which pertains to motor vehicle accidents. Cases of medical malpractice and wrongful dismissal often involve similar issues in calculating the resulting economic damages.

V. Business economic losses:

Examples of assignments involving business economic losses include; contract disputes, construction claims, product liability claims, trademark and patent infringements and losses stemming from a breach of a non competition agreement.

Other areas include:

VI. Shareholders' and Partnership Disputes

VII. Other Types of Insurance Claims

VIII. Matrimonial Disputes

IX. Mediation and Arbitration

In the nutshell, the following services can be provided by a forensic accountant: quantifying the impact of lost earnings, such as construction delays, stolen trade secrets, insurance disputes, damage/loss estimates, malpractice claims, employee theft, loss of profits, financial solvency reports, disturbance damages, loss of goodwill, compensable losses suffered in expropriation determination, assessment of the potential business compensation costs, and consultation on business defalcation minimization. Each forensic accounting assignment is unique. Accordingly, the actual approach adopted and the procedures performed will be specific to it. However, in general, many The following groups often retain forensic Accountants:

Lawyers;

Police Forces;

Insurance Companies;

Government Regulatory Bodies and

Agencies; Banks;

Courts;

A forensic accountant is expected to be a specialist in accounting and financial systems. Yet, as companies continue to grow in size and complexity, uncovering fraud requires a forensic accountant to become proficient in an ever increasing number of professional skills and competencies.

The major skills can be divided in to two:

I. Core skills (specialized skills and knowledge).

II. Noncore skills (personal skills).

Forensic Accountants utilize accounting, auditing and investigative skills when conducting an investigation. Equally critical is their ability to respond immediately and to communicate financial information clearly and concisely in a courtroom setting. Forensic Accountants are trained to look beyond the numbers and deal with the business reality of the situation. A Forensic Accountant's report is prepared with the objective of presenting evidence in a professional and concise manner. Business investigations can involve funds tracing, asset identification and recovery, forensic intelligence gathering and due diligence reviews.

Employee fraud investigations often involve procedures to determine the existence, nature and extent of fraud and may concern the identification of a perpetrator. These investigations often entail interviews of personnel who had access to the funds and a detailed review of the documentary evidence.

Forensic accounting technology emerged for managing compliance risk and reputational risk arising from fraud. With cooperation from UK, USA and other countries a global front was created to combat cross-border fraud and bribery and an initiative was taken to make the technology of forensic audit more meritorious and effective.

II. CONCLUSION

The major concern of the country is to prevent white collar crimes which affect the very fabric of the society. Forensic accounting has come up as an effective tool for preventing this menace. It is still in a nascent stage and requires technological reinforcement on a continuous basis and global cooperation. It will develop as a specialised profession of accountancy and its importance to law enforcing agencies and also regulators will increase day by day. Lot of research is also needed and accountants will play a very significant role in this mission. In the ultimate analysis, forensic accounting and forensic auditing are concerned with finding the truth to help punish the guilty and protect the innocent.

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