

Forensic Accounting – Emerging Trend in Indian Accounting Field

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It is a new area, but in recent years, the use of forensic accountants has extended banks, insurance companies and even police. The rise in white collar crime and the problems encountered by law enforcement organizations in unearthing fraud also led to the development of the profession. Institutions such as India forensic, the Institute of Chartered Accountants of India (ICAI) and the Association of Chartered Certified Accountants (ACCA) offer training and courses on forensic auditing in India.

1.1. Meaning of forensic accounting

Forensic accounting is a particular field of accounting that explores fraud and examines historical data which can be used in legal proceedings. Forensic accounting is a sensible blend of accounting, auditing, and investigative abilities to conduct financial fraud inquiries. It is useful for court action and analytical accounting.

1.2. Definition of forensic accounting

Forensic accounting is defined by Zia (2010) as: "The science that deals with the relation and application of finance, accounting, tax and auditing knowledge to analyse, investigate, inquire, test and examine matters in civil law, criminal law and jurisprudence in an attempt to obtain the truth from which to render an expert opinion".

1.3. Historical viewpoint of forensic accounting

Historical perspective of Forensic Accounting: Maurice E. Peloubet first used the word Forensic Accountant in 1946 in

ABSTRACT

Forensic accounting is upcoming trend in Indian accounting field, forensic accountant is differ from other accountant, while other accountant look at the number but forensic accounting look beyond the number, it involves integration of investigation ,auditing, accounting skills to proceed in legal matter. It came to limelight in India after corporate frauds and white collar crimes; however there is difficulty in adopting it and lack of awareness among people regarding forensic accounting.

Keywords: forensic accounting, techniques, litigation support, historic perspective, accounting, auditing, investigation

1. INTRODUCTION

Forensic accounting is an essential tool in the emerging economic scenario to discover or investigate financial crime and the path of justice, providing strategic information on the evidence found related to financial crime. It is a new area, but in recent years, the use of forensic accountants has increased banks, insurance companies and now even police.

Increased white collar crime Forensic accounting is an essential tool for discovering or investigating financial crime and the direction of justice in the emerging economic scenario, providing strategic information on the facts found in connection with financial crime.

his essay "Forensic Accounting: Its Place in Today's world." Archaeological studies reveal that, during 3300-3500 BC, Egyptian accountants were involved in the prevention and detection of fraud. During the 18th century, a strong relationship developed between accountancy and legacies. Many changes to disclosure of financial statements can be attributed to corporate fraud. In the 1930s, an American Eliot Ness was credited to bring down gangster Al Capone, but his case was based on Elmer Irey's investigative work, an accountant with the Internal Revenue Service who ensured Capone's conviction of tax evasion. He was obviously the first forensic accountant of high profile in America.

1.4. Development of forensic accounting in India

In India, Kautilya was the first person to mention in his famous book Kautilya Arthashastra the famous forty ways of misappropriation. Chartered Accountants in India are called upon to undertake such investigative tasks.

After Enron case, Rajat Gupta case and Satyam case, wide use of Forensic Accounting developed in India. Very few chartered accountant firms have as a separate practice the examination of fraud. Chartered accounting firms such as Sharad Joshi, S.K. Jain (Xerox Fraud case) provide services of this type. However, the big four consultancy firms like Deloitte, KPMG, Price water House Coopers and Ernst and Young dominate this area by and large. For the Forensic Accountants, the formation of Serious Fraud Investigation Office in India is the landmark creation.

The Companies Act 2013 paved the way for a special approach to preventing economic fraud and preserving American law and British Bribery Act national wealth. Reputational risk was to be managed for proper risk management. It required proper investigation as well as a strong preventive environment for fraud and irregularities and lapses in compliance culture. Forensic accounting was therefore required to detect fraud planning, fraud execution, money laundering risks and book the culprits without much time delay.

1.5. Forensic accountant

The uniqueness of Forensic Accountant's findings depends on the forensic accountant's knowledge, skills, and experience. A forensic accountant must be aware of the implications of combining knowledge and skills in the examination, analysis, interpretation, reporting, and testimonial support of proof. In court, the forensic accountant may be an expert witness, a consultant, or other roles such as Trier of fact, special master, magistrate-appointed specialist, referee, arbitrator, or mediator.

1.6. Meaning of forensic audit

A forensic audit is a review and evaluation of the financial information of a firm or individual for use in court as evidence. To prosecute a party for fraud, misappropriation or other financial claims, a forensic audit may be conducted.

1.7. Objectives of Forensic Auditing:

Following are objectives of Forensic Auditing

- Using the conclusions of the forensic accountant to facilitate settlement, claim or jury award by decreasing the financial element as an area of ongoing debate
- Preventing fraud and theft
- Rebuilding degraded public trust
- Formalizing and forming a comprehensive corporate governance policy
- Establishing a positive business environment.

1.8. Techniques and tools of forensic auditing.

1. Benchmarking—contrast of one period's financial results with another or the performance of one cost centre or company with another and overall business performance with its pre-decided norms.
2. Analysis of the ratio—recognising any unusual trends and changes.
3. System analysis—to analyze existing models and identify any vulnerabilities that may be possibilities for fraudsters.
4. Software specialist—such as audit methods for examining matching data.
5. Exception reporting—Generate unquestionable automatic reports to determine deviation from the standards.

1.9. Forensic accounting problems in India

1. Forensic accounting is developing the field of identification, tracking and detection of financial fraud.

There is an intense shortage of skilled and qualified accountants in India with adequate forensic accounting technical knowledge.

2. In India, politicians have been involved in most cases of financial fraud, so finding evidence against them is crucial.
3. The Indian judiciary still follows the old British judiciary. Bringing the matter to court and hiring expert advocates is expensive.
4. As a result of liberalization and rapidly moving economy, more and more foreign investors are investing in India, making it difficult to sue other countries for financial fraudsters.
5. Due to the continuous adoption by fraudsters of new information and technology techniques, it is challenging and difficult for Forensic Accountant to handle with them.
6. Compared to other investigative fields, forensic accounting is a costly field.
7. The appointment of forensic accountants in companies is not compulsory for companies.
8. There are no specific forensic accounting guidelines or acts in India.

1.10. Forensic Accounting Literacy in India:

Forensic Accountants recently came into focus due to a rapid growth in fraud and white-collar crimes. In Indian Corporate Reporting, there is a vast prerequisite for honesty, fairness and accountability. The Indian Institute of Chartered Accountants (ICAI) started a course on forensic accounting for only its members. It is "Certificate Course for Forensic Accounting and Fraud Detection using IT and CAATs." Today, very few academic institutions offer courses on forensic accounting (full-time or part-time). In this area, Indian universities are lagging behind compared to other foreign universities. certified course in Bank Forensic Accounting (CBFA), Certified Forensic Accounting Professional (CFAP), some leading organizations such as India forensic (Pune, Maharashtra) have launched above certificate course. Institute of chartered financial analyst of India(ICFAI) has initiated a postgraduate diploma in forensic accounting. Although this is embryonic stage in most Indian universities, many universities and colleges are offering "Forensic Science" courses. Against the background of rising levels of fraud and economic irregularities, forensic accountants' futures are expected to increase markedly in the near future.

1.11. Conclusion:

Forensic accounting should not become the subject of a selected few's specialization and expertise. At the undergraduate as well as at the postgraduate level across the country, it should be made part of the curriculum. This will help both the corporate and government to initially keep a crime check. At the same time, required legislative amendments should be made to determine the importance of forensic accounting in general and forensic accountants in particular.