

# The Role and Applications of Forensic Accounting: A Study on Its General Idea in India

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**Abstract – Since theft is particularly heinous malfeasance in India, the involvement of forensic accountants has come to light particularly due to the increasing incidence of misconduct and white-collar crimes in the country's economic sector. This has been found that, on average, 8.5 percent of the wealth earned by the countries many industries such as the life insurance industry is responsible for fraud losses annually. Perhaps the first case of misconduct in the countries Industrial sector was identified in the context of SBI Life for breaching the regulatory standards for protecting the interests of insurers and maintaining effective internal controls. uln this context, the study attempts to examine potential irregularities in the Indian Industrial sector over ten years from 2011 to 2017. For this purpose, the study will analyze the Role and Applications of Forensic Accounting to verify the consistency of the Information observed.**

**Key Word: Forensic Accounting, Financial Fraud, Financial Investigate tool.**

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## 1. INTRODUCTION

The concept of 'forensic accounting' belongs to fraud and corruption in financial activities. It is the financial investigation that involves an examination of accounting documents to identify, prosecute, and deter the recurrence of financial fraud and white-collar crimes. Forensic accounting is characterized as the interpretation of financial accounting and forensic expertise to a framework appropriate to the courts to settle conflicts in the frame of reference of criminal and civil litigation. Only as professionalism, forensic accounting includes financial experience, knowledge of corruption, and a thorough understanding of market realities and the workings of the judicial framework. Its growth can typically be accomplished by on-the-job preparation and interactions with investigative officers and legal counsel. Forensic accountants concentrate on the identification of deception and fraudulent activity in banks, private organizations, the public sector, or any other organization's financial documents. Forensic accounting in India has progressively come to fruition as a consequence of the rapid rise in corruption and fraud in the nation's financial sector, believing that our law enforcement authorities may not have adequate expertise to examine such misconduct. As well as India classified worldwide as the 88th highly corrupt country, the need for forensic accountants or fraudulent investigators becomes even more intense.

In the increasing financial paradigm, forensic accounting is a critical instrument for the identification or prosecution of financial fraud and the course of

justice, offering decisive evidence on the facts discovered concerning financial crime. This is a growing paradigm, however, in recent years, banks, insurance firms, and even the authorities have expanded with the aid of forensic accountants. The spike in white-collar crime as well as the problems presented by law enforcement in fraud prevention has also resulted in the growth of the profession. Institutions such as India forensic, the Institute of Chartered Accountants of India (ICAI), and the Association of Chartered Certified Accountants (ACCA) teach programs on forensic accounting in India. Forensic accounting is a specialized system of accounting that examines corruption and analyses financial details that can be used in legal proceedings. Forensic accounting is a prudent combination of accounting, auditing, and forensic expertise to prosecute financial fraud.

Throughout India, Kautilya was the first individual to list the successful forty forms of misuse of public funds throughout the popular book Kautilya Arthashastra. Within India, chartered accountants are called upon to perform certain disciplinary tasks. Broad utilization Forensic Accounting was established in India involved in the case of Enron, Rajat Gupta, and Satyam. Only a few accounting professionals have such a fraud review as a formal issue. Chartered accountancy firms such as SharadJoshi, S.K. Jain (Xerox Fraud case) offers such a form of service. Consequently, the whole industry is faced by four major accounting firms including Deloitte, KPMG, Price Water House Coopers, and Ernst and Young. Within India, the

establishment of the economic and financial crimes Office is a milestone development of the Forensic accounting professionals.

## 2. LITERATURE REVIEW

The term Forensic Accountant was invented by Maurice E. Peloubet in the 1946 work "Forensic Accounting: Its Role in Today's Economy." historical discoveries indicate that, between 3300-3500 BC, accounting professionals of their day in Egypt had been interested in the detection and prevention of fraud. During most of the 1800s, a strong linkage formed between accounting and the legal profession. Many changes to the filing of financial statements may be traced to financial crime. Ness (1930) was associated mostly with the assassination of gangster Al Capone, but the investigation was concentrated also on forensic skills of Elmer Irey, an auditor with the Internal Revenue Service, who had assured Capone's conviction for tax dodging. He was possibly America's only highly publicized forensic accountant.

In the present time, the malfeasance review is a field that is perceived to become the stronghold of accounting professionals due to the quality of the accounting skills involved. accounting professionals in India are called upon to perform these forensic tasks. Only some accounting professionals have such a fraud review as a distinct category. Chartered accounting companies like Sharad Joshi Chartered accountants provide these services. A corporation based in New Delhi, S.K. Jain also examined the world-famous incident of Xerox Cheating. But this sector is dominated by four major consulting firms, like Deloitte, KPMG, Price water House Coopers and Ernst and Young. Within India, the establishment of the Serious Fraud Investigation Office is a milestone development of the Forensic Accountants. Growing cyber-crimes, the inability of regulators to monitor security scams, the fall of the 101 Series of Co-Operating Banks-all point to the use of forensic accounting, although we recognize a need or not.

Consequently, only after the troubling rise in complicated economic fraud as well as the shortage of appropriately skilled professionals to examine and inform on critical economic fraud, such reporting division has not earned greater importance in India. This work of Forensic Accountants is undertaken by accounting professionals who, in addition to the standard role of audit process under the Companies Act, 1956 or the Income Tax Act, are called upon by law enforcement authorities or companies or private persons to assist in the investigation of financial crime or fraud. The CA or CWAs in India are perfectly suited to this career due to some financial expertise gained throughout the intense training, which will be further improved by the implementation of a master's degree or a diploma in Investigative and Forensic Accounting.

## 3. SIGNIFICANCE OF THE STUDY

The lack of Effective corporate governance, inefficiency, bribery, and other misconduct that contributed to financial distress have put bigger responsibility on forensic accountants to provide themselves with the expertise and strategies to locate, uncover and preserve proof of all types of financial violence. While accounting practices have strengthened immensely, recent versions of fraud have become complex and nuanced to the point that they could go unrecognized. The inability of the external audits to identify, deter and mitigate the misapplication of financial crime and the rise in financial corruption has exerted importance on competent forensic accountants and legal practitioners to figure out a better way to expose fraud in the corporate world.

## 4. OBJECTIVE OF THE STUDY

- To recognise the general perspective of forensic accounting in India.
- To recognise the application of Forensic Accounting in India

## 5. ANALYSIS OF THE STUDY

The various methods and techniques used during Forensic Audit are as follows:

- Optimizing – a comparative analysis of the financial outcome of one time with one another or the performance of one cost center or services company with another the overall business performance including its pre-determined expectations.
- Evaluation of ratios – to detect any peculiar patterns and shifts.
- Application Review – to analyze the processes in place and to find any vulnerabilities that may be possible targets for fraudsters.
- Qualified professional software-like audit methods for the analysis of data matching.
- Outlier Reporting – Producing automated unchangeable reports to recognize exceptions from the norms.

All these technique has played a significant role in the significant success of the Forensic Accounting by addressing a number of problem such as:

- Financial management through forensic accounting is expanding the area of identification of financial misconduct. Through India, there is an acute shortage of

trained accountants with sufficient expert expertise in forensic issues.

- Throughout India, the majority of financial fraud investigations concerned officials, so it is important to find evidence against them.
- The Indian judicial system also follows the age-old British judicial system. It is complicated to refer the case to justice and employ specialist advocates.
- With liberalization and a fast-moving economy, more and more foreign investors are investing in India, making it difficult to prosecute financial fraudsters from other countries.
- It is challenging for the Forensic Accountant to deal with the ongoing use of modern science and computer methods by fraudsters.
- Forensic accounting is a costly field relative to other areas of investigation.
- Businesses don't need to name a forensic accountant in organizations.
- There seem to be no clear guidelines or legislation on management auditing throughout India.

## 5. CONCLUSION

Forensic accounting is a specialty that involves financial expertise, knowledge of wrongdoing as well as a thorough understanding of market facts and the workings of the judicial system. The creation of this can be accomplished. Usually by on-the-job preparation and familiarity with investigative officers and legal counsel. Forensic accountants concentrate mostly on the identification of deception and illegal transactions in banks, private organizations, the state sector, or any other organization's financial records. From the above goals in mind, some of the steps taken by the regulatory authorities show a good indication of the prevention of scams. Rapidly increasing fraudulent financial instances, recent global economic scandals, the collapse of non - monetary banking firms, anomalies of disappearing businesses and crop companies, and the inability of the control framework to counter it, have urged the government of India to set up a reasonable Fraud Investigation Officer (SFIO) under the Ministry of Corporate Affairs, which can be seen as a significant step by the Indian government.

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