

Vol 6 Issue 1 Oct 2016

ISSN No : 2249-894X

*Monthly Multidisciplinary
Research Journal*

*Review Of
Research Journal*

Chief Editors

Ashok Yakkaldevi
A R Burla College, India

Ecaterina Patrascu
Spiru Haret University, Bucharest

Kamani Perera
Regional Centre For Strategic Studies,
Sri Lanka

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Regional Editor

Manichander Thammishetty
Ph.d Research Scholar, Faculty of Education IASE, Osmania University, Hyderabad.

Advisory Board

Kamani Perera Regional Centre For Strategic Studies, Sri Lanka	Delia Serbescu Spiru Haret University, Bucharest, Romania	Mabel Miao Center for China and Globalization, China
Ecaterina Patrascu Spiru Haret University, Bucharest	Xiaohua Yang University of San Francisco, San Francisco	Ruth Wolf University Walla, Israel
Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Karina Xavier Massachusetts Institute of Technology (MIT), USA	Jie Hao University of Sydney, Australia
Anna Maria Constantinovici AL. I. Cuza University, Romania	May Hongmei Gao Kennesaw State University, USA	Pei-Shan Kao Andrea University of Essex, United Kingdom
Romona Mihaila Spiru Haret University, Romania	Marc Fetscherin Rollins College, USA	Loredana Bosca Spiru Haret University, Romania
	Liu Chen Beijing Foreign Studies University, China	Ilie Pinteau Spiru Haret University, Romania
Mahdi Moharrampour Islamic Azad University buinzahra Branch, Qazvin, Iran	Nimita Khanna Director, Isara Institute of Management, New Delhi	Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai
Titus Pop PhD, Partium Christian University, Oradea, Romania	Salve R. N. Department of Sociology, Shivaji University, Kolhapur	Sonal Singh Vikram University, Ujjain
J. K. VIJAYAKUMAR King Abdullah University of Science & Technology, Saudi Arabia.	P. Malyadri Government Degree College, Tandur, A.P.	Jayashree Patil-Dake MBA Department of Badruka College Commerce and Arts Post Graduate Centre (BCCAPGC), Kachiguda, Hyderabad
George - Calin SERITAN Postdoctoral Researcher Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, Iasi	S. D. Sindkhedkar PSGVP Mandal's Arts, Science and Commerce College, Shahada [M.S.]	Maj. Dr. S. Bakhtiar Choudhary Director, Hyderabad AP India.
REZA KAFIPOUR Shiraz University of Medical Sciences Shiraz, Iran	Anurag Misra DBS College, Kanpur	AR. SARAVANAKUMARALAGAPPA UNIVERSITY, KARAIKUDI, TN
Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur	C. D. Balaji Panimalar Engineering College, Chennai	V.MAHALAKSHMI Dean, Panimalar Engineering College
	Bhavana vivek patole PhD, Elphinstone college mumbai-32	S.KANNAN Ph.D , Annamalai University
	Awadhesh Kumar Shirotriya Secretary, Play India Play (Trust), Meerut (U.P.)	Kanwar Dinesh Singh Dept.English, Government Postgraduate College , solan

More.....



FORENSIC ACCOUNTING: FOR BETTER GOVERNANCE

Fahad, P.

Research Scholar, Department of Commerce, Pondicherry University, Puducherry.



Corruption, Scams, White Collar Crimes.

INTRODUCTION

Corruptions, scams and other white collar crimes are the serious threat to India's movement to be a stronger nation with powerful governance. It is so endemic that fraud and corruption is gradually becoming a normal way of life. Highly corrupted bureaucracy questioning the integrity of government agencies. In most cases corruptions and financial crimes have been committed by those who are in the higher authority, who is entrusted with the responsibility of taking care of funds.

Few years back India witnessed the shocking collapse of Satyam computers and it followed by many other even bigger scams and frauds like coal gate scam, common wealth games scam etc. yet

ABSTRACT

India needs a strong mechanism to fight against corruption, scams and other white collar crime. People losing their trust on the authorities because of these few fraudsters who manipulating the public accounts for their personal enrichment. It is so endemic that corruption, scams and other financial frauds are becoming a normal way of life. It undermined investor confidence in accounting information and raised serious concern over the effectiveness of

financial reporting, accounting standard and accountability. In this scenario Forensic accounting a branch of accounting which is very effective in most of the developed countries in both private and public sectors has emerged. It is the merger of forensic science and accounting. This paper aims to study the relevance of forensic accounting in retaining the public confidence on governmental accounts for building up a country with strong governance.

KEYWORDS: Forensic Accounting,

fraud remains as a major problem India facing at present. Efforts have been made to fully identify and prevent fraud but new kinds of fraud emerging every day. According to KPMG survey white collar crimes in India witnessed a substantial increase over the past few years. On the other side corruption in Indian business is become common and increasing day by day. An estimate by C.K. Prahlad, a management expert put the cost of corruption to Indian economy 2.5 trillion rupees a year. According to latest report of transparency international India ranked 84th out of 180 countries in terms of corruption.

These scams, white collar crimes and corruptions have undermined investor confidence in accounting information and raised serious concern over the effectiveness of financial reporting, accounting standard and accountability. In this scenario Forensic accounting a branch of accounting came into limelight. Forensic accounting is a merger of forensic science and accounting. The integration of Accounting, auditing and investigative skills creates an accounting analysis that is suitable for court, called forensic accounting. Forensic accounting is a largely unexplored area in India. The opportunities for forensic accountant is growing fast, they are being engaged in public practice and are being employed by insurance companies, banks, police forces, Govt. agencies etc. It consists of two major components and the same is shown below.

1. Forensic accountant need the skill to collect, analyze, evaluate financial data to interpret and to report it.
2. In court proceedings he can be called for expert opinion and also for courtroom testimony if needed.

REVIEW OF LITERATURE

The Association of certifies fraud examiner (2008) defines fraud as the use of organizational resources or assets for personal enrichment through deliberate misuse or misapplication. So it has been considered as any act of deception performed by somebody to cheat or deceive another person resulting to suffer loss or damage (Stanley 1994). Difficult to quantify the magnitude of fraud losses since majority of fraud go undetected and unreported (Bhasin 2013). Ramaswamy (2005) believes that the frauds are emerging because of poor corporate governance and accounting failures. KPMG fraud survey explains the need for measures to combat fraud and launching new anti fraud programmes in the lights of recent incidents of fraud than in prior years (KPMG 2003). This survey results indicates the importance of a new system or practice which can prevent and protect the fraud, scam and corruption. Boritz Kotchetova and Robinson (2008) confirm that forensic accountant could detect frauds better than any other auditors.

Forensic accounting also called fraud audit or investigative accounting is a merger of forensic science and accounting (Kasum, 2009), forensic accounting as Crumbley (2003) Defined as application of law of nature to law of man. The term forensic accounting is credited to Maurice E. Peloubet. In the late 1940s, forensic accounting had become popular during World War II, but major studies related with it published in the 1980s (Rasey, 2009). Thus, a new profession emerged in the field of accounting in the 1980s with interest from western countries and especially in the USA. This new profession identifies fields comprising accounting, auditing and investigative skills (Ozkul and Pamuke, 2012). Zysman (2001) believes Forensic accounting as the integration of investigative, accounting and auditing skills. A study by Bierstaker, Brody and Pacini (2006) explains forensic accounting as an anti fraud method which is rarely used but same having good effectiveness rating. It supports Ernst and Young's (2003) worldwide fraud survey, which states that the satisfaction level for the service 88% was highest but only 20% of organizations employed forensic accountants.

The forensic accountant will also helps police force in criminal investigations related with

financial criminology (Eiya and Otor, 2013), where his report is prepared with the objectives of presenting evidence in a professional and concise manner. Forensic accountant often involved in business economic losses, business/employee fraud investigation, professional negligence, criminal investigation, share holder and partnership disputes, personal injury claims/motor vehicle accidents, business interpretation and insurance claims, matrimonial disputes, mediation and arbitration (Mehta and Mathur 2007).

The effectiveness of forensic accounting recognized worldwide and most of the developed countries using this system very effectively and efficiently in order to fight against the financial crimes, Unfortunately in our country the system of forensic accounting is largely unexplored and Not only common people even academicians and auditors are unaware about such a effective tool that we can use against the growing frauds and scams which is the foremost issue that India facing at present. Citizens specially youths are so aware about the corruption, scams and frauds happening in our system and they are ready to do anything to bring the change but the bureaucracy is highly corrupted and they don't have right tool to fight against this corrupted system. I believe forensic accounting can be used as a right tool against the scams and other white collar crimes and for that this branch of accounting has to be popularized. Papers, Journals and Researches in this area is very less and institutions offering courses on forensic accounting is very few, but increasing number of demand is there in the country for the forensic accountants as long as financial crimes are there. So this Paper is an attempt to study how forensic accounting Helps in building a strong governance system in India.

OBJECTIVES AND METHODOLOGY

The study has been taken with an overall objective of finding how forensic accounting supports better governance and also some specific objectives like:

1. To understand about the forensic accounting education in India.
2. To study the role of forensic accountant in improving governance.
3. To study various challenges for the development of forensic accounting in India.

This Theoretical Paper Studies How forensic accounting supports better governance system in India using secondary data collected from the internet, News paper, Magazines and Research papers published in national and international journals.

FORENSIC ACCOUNTING EDUCATION IN INDIA

Studies shows that more institutions offering forensic accounting courses due to high demand for set of competences and skills that are commensurate and sophisticated enough to confront the complexities that businesses faced with respect to growing threats arising from fraud (Carpenter, Durtschi and Gaynor 2011). Buckhoff and Schrader (2000) believes that three major stake holders in accounting education will be greatly benefited by adding a forensic accounting course to the accounting curriculum: academic institutions that are considering integrating forensic accounting into the accounting curriculum, accounting students and employers of accounting graduates. Efiog (2012) found very low level of awareness of forensic accounting among respondents when he examined the degree of awareness of forensic accounting among accounting undergraduates in Nigeria.

In India, Forensic accounting is still a new born baby, very few knows what is forensic accounting all about. The prime reason for this is lack of education about forensic accounting. In countries like USA different varieties of courses, researches and journals are there separately for forensic accounting itself whereas in India it's still on the starting stage.

There are companies like KPMG which offers forensic audit and other services to needed

companies, Apart from that these are some institutes that offers forensic accounting courses in India:

- India forensic: Offering Courses like Certified Bank Forensic Accounting (CBFA), Certified Anti-money Laundering Expert (CAME), and Certified Forensic Accounting Professional (CFAP) etc.
- IFS (International forensic sciences) Education department: Offering courses like Short term certificate course in forensic accounting and Fraud examiner, Advanced Diploma course Certification in Forensic and fraud examiner, PG Diploma in forensics accounting and fraud examiner, Professional Specialized Certification in Forensic Accounting and Fraud Examiner, Universal Certification in Forensic Accounting and Fraud Examiner Etc.
- ICAI (Institute of Chartered Accountants of India): Decided to launch a certificate course on forensic accounting and fraud prevention using IT and CAAT due to the importance of Forensic Accounting and Fraud Prevention, in the emerging economic scenario,
- Gujarat forensic sciences university: Offering MBA Finance with specialization in Forensic accounting and also P.G. Diploma in Forensic Accounting.
- BML Munjal University: Is the first university to identify the demand for experts in forensic accounting and corporate fraud and they introduced an MBA in finance with a specialization in forensic accounting and corporate fraud.

Role of Forensic Accountant in Improving Governance

Good governance is characterized by transparency, accountability and role of law and participation. It said to be exist only when the level and magnitude of corruption is at a tolerably low and minimum level. In India scams and corruptions has made huge loss to the government and many other parties involved in it. 2G spectrum scam itself made a loss of 175000 crore, this money can be used for the welfare of the people through a strong mechanism to prevent the fraudsters.

Presently Comptroller and auditor general of India (CAG) office act as an effective check on financial irregularities by the public authorities. The audit report of CAG contributed significantly in exposing mega corruptions such as 2G spectrum scam and commonwealth games scam. But the books of accounts of all public undertakings has to be audited carefully in order prevent frauds. Most of these frauds can be detected and prevented with the help of a forensic accountant who is having expertise knowledge and skill in the area of financial criminology. It helps in creating reliability and credibility of financial information and also increases public confidence. He can ensure the integrity of financial statements by actively investigating for fraud, identifying areas of risk and associated fraud symptoms, pursuing each anomaly aggressively, and delving into the minute's details of accounting and financial anomalies. In court proceedings he can be called for expert opinion and also for courtroom testimony if needed.

Challenges for the Implementation of Forensic Accounting in India

Following are the major challenges in successful implementation of forensic accounting in India:

- 1.Criminals and fraudsters using latest technology and they are changing it constantly, so the forensic accountant should be updated himself and technically he should be one step ahead of the criminals.
- 2.As a result of globalization it is found that many foreign companies also involved in these scams and illegal activities, so taking actions against them finds difficult for a forensic accountant under Indian jurisdiction.
- 3.It found in all recent scams and fraud that business giants and top most political leaders are cheaply involved. So collecting evidence and reporting it will be a difficult task for a forensic accountant.
- 4.Reporting of fraud and taking legal actions against those involved will take time and huge cost, so that

companies prefer to make settlements outside court.

5.It is compulsory for all the firms to have internal/external auditor but there is no compulsion for appointment forensic accountants so companies are not considering it seriously as they wanted to reduce cost.

6.Awareness regarding forensic accounting is very less among peoples so that number of people opting that profession is also less.

Even though in the lights of recent scams and frauds government of India forced to form a serious fraud investigation office (SFIO) ministry of corporate affairs which gives a good hope for those who want forensic account to be implemented India. SFIO is a multidisciplinary organization included of financial sector, capital market, forensic auditing, taxation, law, IT etc from various organizations.

SUGGESTION

There is no argument in bringing down the fraud in the books of accounts but it will take time and effort to put an end to the growing fraud and scam. Following steps can be taken for successful implementation of the profession of forensic accounting:

1. It is needed to make compulsory to have a forensic accountant in each company to detect fraud especially in public and large companies.
2. A legal framework should be made for creating awareness among people regarding the importance of forensic accounting as a fraud detecting tool.
3. Conference, seminars and training programs should be carried to acquire skill in forensic accounting.
4. Forensic accountant must be aware about the criminology, psychology, accounting practice, auditing, law etc
5. Strong legislation needed to be made against fraudsters and criminals and all should be punished if found involved in fraudulent practice.
6. Like ICAI and ICMA, a regulatory body needs to be made for controlling forensic accounting.
7. Including forensic accounting into academic curriculum is a good way to promote it and more researches should be carried in the area of forensic accounting.

CONCLUSION

If India wants to be super power nation with strong governance, it must have to deal with all the scams and other white collar crimes. The main reason why AAP came to power in Delhi is that their main slogan was to wipe out the corruption and it given hope to people and people given power to them. It simply says citizens of India needs a system that can bring change by putting an end to these issues. Forensic accounting is a right weapon that the country can use for the same purpose which is very effective in the developed nations in both private and public sectors. Unfortunately forensic accounting is still a new born baby in India, more studies and researches has to be promoted and most importantly universities and other educational institutions have to add forensic accounting to the existing curriculums and also come up with new courses on forensic accounting

REFERENCES

- 1.American Institute of Certified Public Accountants (2011). The 2011 Forensic and Valuation Services Trend Survey. AICPA, available at www.aicpa.org.
- 2.Aderibigbe, P. (2000). The Role of the Forensic Chartered Accountant. The Nigeria Accountant, July, pp. 15-20.
- 3.Bhasin, M. (2013). Survey of Skills Required by the Forensic Accountants: Evidence from a Developing

Country, 54-86.

4. Bhasin, M. L. (2013a). Corporate Accounting Fraud: A Case Study of Satyam Computers Limited, 2013 (April), 26-38.
5. Bhasin, M. L. (2013c). Survey of appropriate skills required by forensic accountants: empirical evidence from a developing economy, 1(2), 53-73.
6. Crumbley, D.L., Heitger, L.E., & Smith, G.S. (2007). Forensic and Investigative Accounting. Chicago: Commerce Clearing House Incorporated.
7. Eliezer, O. (2015). Relevance of Forensic Accounting in the Detection and Prevention of Fraud in Nigeria, 23, 17-26.
8. Enofe, A. O., Okpako, P. O., & Atube, E. N. (2013). The Impact of Forensic Accounting on Fraud Detection, 5(26), 61-73.
9. Lecturer, G. (2013). Forensic Accounting: A New Dynamic Approach to Investigate Fraud Cases, 3(7), 1-9.
10. Madumere, I., Harcourt, P., & Onumah, J. M. (2013). Forensic Accounting: a Relief to Corporate Fraud, 4(14), 43-51.
11. Muse, O., Popoola, J., Che-ahmad, A., & Samsudin, R. S. (2014). Forensic Accounting and Fraud: Capability and Competence Requirements in Malaysia, 10(8), 825-834.
12. Njanike, K., Dube, T., & Mashayanye, E. (2009). The Effectiveness of Forensic Auditing in Detecting, Investigating, and Preventing Bank Frauds, 10(4), 405-425.
13. Ramadhan, S. (2015). Certified Accountants' Perceptions of Forensic Accounting Education: The Case of Bahrain, 4(2), 109-118.

Publish Research Article

International Level Multidisciplinary Research Journal

For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Books Review for publication, you will be pleased to know that our journals are

Associated and Indexed, India

- ★ Directory Of Research Journal Indexing
- ★ International Scientific Journal Consortium Scientific
- ★ OPEN J-GATE

Associated and Indexed, USA

- DOAJ
- EBSCO
- Crossref DOI
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database

Review Of Research Journal
258/34 Raviwar Peth Solapur-413005, Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.ror.isrj.org