



FORENSIC ACCOUNTING IN INDIAN PERSPECTIVE

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ABSTRACT :

Now a day's there is immense use of technology in all organizations. Use of technology is leading to more sophisticated and complex methods of frauds, than before. Hence preventing frauds from occurring and detecting frauds at right time is a big challenge to businessman.

Forensic Accounting is used for fraud examination. Forensic Accounting Provides investigative functions and litigation support services to understand the depth and width of frauds.

This study is focused on the importance of forensic accounting in India. The study also focuses on historical perspective of Forensic Accounting in India.



KEYWORDS : *Forensic Accounting, Fraud, Investigations.*

INTRODUCTION:

Forensic Accounting is application of knowledge and skills to identify transactions which are not authentic and gather the evidence regarding the same. The reports of forensic accounting are considered as evidence in the court of Law.

Thus forensic Accounting includes the use of accounting, auditing and investigative skills to assist in legal matters.

Forensic Accounting is used for fraud examination and fraud examination includes obtaining evidence, interviewing, writing reports and testifying, Forensic Accountants are appointed by law firms, government, banks, insurance companies to analyze, interpret, summarize complex financial and business related issues

Some forensic accountants specialize in area of forensic analytics which includes Data collection, Data Preparation, Data Analysis and Reporting.

NEED FOR STUDY-

Now a day's the necessity of Forensic Accounting is increasing. It is a fast emerging field in the world of accounting.

The Corporate Auditors are only expected to check the compliance of Companies Books of Accounts to the Generally Accepted Accounting Principles, auditing, standards and companies policies. However many electronic frauds have become complex and sophisticated and they cannot be detected.

Thus professional forensic accounting services are required for almost all the Companies.

OBJECTIVES OF STUDY-

- i) To understand the historical perspective of forensic accounting in India.
- ii) To understand role of Forensic Accountant

iii) To understand the implementation of Forensic Accounting in India.

RESEARCH METHODOLOGY-

The paper is of conceptual nature and purely based on information from secondary data. For the purpose of this paper, various articles on forensic accounting at national and international level and reference books are reviewed carefully.

Scope of the study-

The scope of the study is restricted to Forensic Accounting in India. It takes into consideration the historical perspective of forensic accounting and implementation of Forensic Accounting in India.

REVIEW OF LITERATURE

- i) In an Article titled "Corporate Governance and role of forensic Accountant" Written by Dr. Madan Bhasin, it is mentioned that Corporate frauds and scandals of recent years have forced government to take effective steps for prevention of such happenings. Hence the role of Forensic Accounting is important.
- ii) In an Article titled "Forensic Accounting and Fraud examination" published by dr. T. Naga Laxmi for International Journal of scientific research and Management, it is focused that "Recent Corporate incidents have shown, financial losses arising from fraudulent activity may lead to redundancies, factory closures, the loss of business opportunities or even business failure. Hence there is a need for forensic accounting in examining the frauds.
- iii) In the article published by Dr. Mohan Biswas in The 5th International Conference on Financial Criminology titled "Forensic Accounting in Indian Perspective" it is suggested that Appointment of forensic Accountants should be made mandatory in public sector and large scale companies

HISTORY OF FORENSIC ACCOUNTING IN INDIA

In Indian context history of investigative accounting goes back to ancient times of Mauryan Times. Kautilya was the first person to mention the 40 ways of embezzlement in his famous Kautilya Arthashastra.

A fraud examination was considered as monopoly of the Chartered Accountants because of the nature of the expertise it involves in accounting. In India, Chartered Accountants are called upon to take such assignments. Very few Chartered Accountants have fraud examination as a separate practice. But this area is dominated by the big 4 consultancy firms such as Deloitte, KPMG, Price water house coopers and Ernst and Young.

In India, the formation of Serious Fraud Investigative office is the landmark creation for the Forensic Accountants. Growing Cyber Crimes and scams pinpoint the need for forensic accounting in India.

MEANING OF FORENSIC ACCOUNTING

The meaning of forensic accounting is changing in response to the growing needs of business and industry. Forensic Accounting is accounting that is suitable for legal review offering the highest level of assurance about the accuracy of the financial statements based on scientific and objective verification.

According to American Institute of Certified Public Accountants "Forensic Accounting is the application of accounting principles, theories and discipline to facts or hypotheses at issues in a legal dispute and encompasses every branch of accounting knowledge."

Thus Forensic Accountant is involved in the following-

- 1) Investigating and analyzing financial evidence
- 2) Developing computerized applications to assist in the analysis and presentation of financial evidence
- 3) Communicating their findings in the form of reports

4) Assisting in legal proceedings including testifying in court as an expert witness and preparing visual aids to support trial evidence.

Role of Forensic Accountant-

Accountant who is engaged in forensic accounting is known as forensic accountant. Forensic Accountant utilizes his understanding of business information, financial reporting systems, accounting and accounting standards, investigative techniques and legal knowledge in performance of his job which may include the following-

- 1) Investigating and analyzing financial evidence
- 2) Analysis and presentation of financial evidence
- 3) Communicating findings in the form of documents, reports etc.
- 4) Assisting in legal proceedings

Requirements for a successful Forensic Accountant

Forensic Accountant requires high degree of personal and professional skills which are as follows-

- 1) Knowledge of accounting and financial systems
- 2) Understanding of fraud schemes
- 3) Computer Savvy
- 4) Knowledge of human psychology
- 5) Communication Skills
- 6) Legal Knowledge
- 7) Patience
- 8) Analytical Thinking

Implementation Of Forensic Accounting In India

In India ,Forensic Accounting is still not much recognized even after increase in financial crimes and lack of trained professionals.

Many companies appoint Chartered Accountants to investigate on financial crime or scam.

Degree or Diploma in Investigating and Forensic Accounting is also available as a post qualification degree for Chartered Accountants or ICWA.

The CA or CWA who acquire this post qualification can use the designation as CA-IFA or CWA-IFA and be legally recognized as Forensic Accountant.

CONCLUSION

In the current scenario, there is an increased demand for forensic accounting services in developing countries. In India, still it is considered as new. But due to increasing financial frauds, stock market scams, failure of Banks etc. there is a demand for trained and experienced Forensic Accountants for India.

SUGGESTIONS

- 1) In order to bring awareness among the people about significance of forensic accounting, legislation should be enacted.
- 2) Conferences, Seminars and training programs need to be organized to enhance the skills and ability of professional accountants in forensic issues.
- 3) More research should be undertaken in the area of Forensic Accounting.
- 4) Forensic Accounting can be included in the Academic Curriculum
- 5) It should be made mandatory to appoint Forensic Accountants in all the companies specially in Public Sector Companies and Large Scale Companies

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