

Forensic Accounting in India: Problems and Applications

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Abstract:

‘The purpose of this paper is to educate readers on what forensic accounting implies. The research aims at the duties and responsibilities of a forensic accounting investigator in identifying fraud. The rise in scams and white collar crimes in India has brought forensic accounting to the fore. Data was gathered to better understand the goals of forensic accounting and the difficulties forensic investigators have when investigating into different cases.

Keywords: Fraud, scams, forensic accounting investigative, auditing, and forensic accounting tools.

Introduction:

In the current financial environment, forensic accounting, also referred to as forensic auditing, is a crucial tool for identifying financial crimes, conducting investigations into them, and guiding the administration of justice by offering authoritative details about the evidence that points to financial crimes. Opportunities for forensic accountants have been dramatically expanding in recent years as white collar crime has increased. The challenges faced by law enforcement organizations in detecting fraud have also facilitated in the profession's growth.

Research Approach:

The majority of the data that we have acquired for this article is descriptive. Secondary sources has been collected from a number of sources, including books, journals, websites with study-related content, and selected at random printed promotional materials. On the gathered data, a standard tabular analysis has been done.

Forensic Accounting Meaning

The broad concept "forensic accounting" refers to the use of specialized knowledge including accounting, auditing procedure, quantitative methods for finance, research, and investigative abilities. In a legal setting, forensic refers to evidence that is appropriate. And that's the standard and potential consequence that forensic accountants often have to work with (Crumbley et al., 2005). In his famous book Kautilya Arthashastra, India's first economist Kautilya identified the necessity for forensic accountants in specific terms. A specialist area of accounting known as "forensic accounting" is responsible for examining financial data to be used in judicial processes and conducting fraud investigations.

Forensic Accounting Terminology

According to AICPA (1993): "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." 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."

Objectives of Forensic Accounting

- A forensic accountant can help strengthen and guarantee the accuracy of the financial reporting system.
- Financial fraud and corruption can be discovered through forensic accounting.
- There is ongoing discussion about whether it is appropriate to utilize the forensic accountant's findings to reduce the financial part of a settlement, claim, or jury award.
- To re-establish the reduced level of public confidence.
- To create and implement a comprehensive corporate governance policy and the statutory audit role.
- To establish a happy workplace and support the independence of auditors.

In India, the scope of forensic accounting

Due to the increase in white collar crimes, frauds, and scandals in both the public and private sectors, India has a large market for forensic accounting. There are two main practice areas in forensic accounting. These are investigative accounting and litigation support.

- The methods used by forensic accountants to identify fraud include examining the company's methods of operation, corporate structure, financial statements, financial reporting systems, management information systems, accounting principles, and internal and external auditing procedures.
- Forensic accounting aids in the gathering of evidence, research into litigation tactics, and interpretation of outcomes.
- Forensic accounting plans and executes statutory audit procedures for the reduction of business risk. A forensic accountant or auditor also serves as an advisor to the audit committee.
- A forensic accountant supports investment analysts' research efforts and is necessary for due diligence in merger and acquisition cases.

India's scams

Forensic accounting has gained attention recently due to the significant growth in white collar crimes and the assumption that Indian judicial system is negligent in uncovering frauds. The following are some of the greatest frauds and abuses that occurred recently.

Future Forensic Accounting Challenges in India

A forensic accountant, it is said, is a bloodhound of accounting rather than a watchdog. But while working in India, forensic investigators must deal with a number of difficulties, some of which are listed below:

- There is a shortage of forensic investigators in India because this country is still growing its forensic accounting industry. Because of this, there is a severe lack of skilled accountants with the necessary technical skills.
- The majority of fraud cases in India involve politicians, so it's important to gather evidence against them.
- Indian courts continue to operate under the traditional British judicial system. As a result, taking the case to court and hiring knowledgeable experts is expensive.
- It is challenging to prosecute financial fraudsters from other nations because of liberalization and India's fast expanding economy, which attracts increasing numbers of foreign investors.
- Technology: It is challenging for forensic accountants to keep up with fraudsters' constant use of new information and technology tactics.

India's Consciousness of Forensic Accounting

India stands behind other international nations in the field of forensic accounting. The demand for forensic accountants is quite high as a result of the tremendous rise in scams and white-collar crimes in India. Today, a number of organizations, including India Forensic, the Institute of Chartered Accountants of India (ICAI), and the Association of Chartered Certified Accountants (ACCA), offer forensic auditing courses in India. Investigations into economic crime and all forms of civil litigation, including those supporting investigations into terrorism It takes more social awareness to bring in the common white collar crimes. Due to the public's growing need for truthfulness, justice, and transparency in reporting, forensic accountants are currently in high demand.

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