

Forensic Accounting In India

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Abstract- *Forensic accounting in India has come to limelight only recently due to rapid increase in white collar crimes. It helps companies in accomplishing their organization's objectives, with a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is the contribution of accounting, auditing and investigative skills. A large global accounting firm believes the market is sufficiently large to support an independent unit devoted to 'Forensic Accounting'. The objective of the paper is to study: the role of forensic accounting in fraud examination in India and to understand the various applications of forensic accounting in Indian firms. In India unfortunately it is being used as an investigative tool, rather than a preventive tool. If forensic auditing is made mandatory in various sectors, many of the scams can be restricted. It has been suggested that appointment of forensic accountants should be made mandatory in public sectors and large scale companies for the sustainable development of the economy*

I. INTRODUCTION

In the emerging economic scenario, forensic accounting is an essential tool for uncovering or inquiry of financial crime and the direction of justice, providing decisive information about the facts found related to financial crime. It is a new area, but in recent years, banks, insurance companies and even police have increased taking help of forensic accountants. The increase in white collar crime and the difficulties faced by law enforcement agencies in uncovering fraud have also contributed to the growth of the profession . organisations like India forensic, institute of chartered accountants of India (ICAI) and Association of chartered certified accounts (ACCA) offer courses on forensic auditing in india.

Meaning of Forensic Accounting:

Forensic accounting is a specific area of accounting which investigates fraud and analyze financial information which can be utilized in legal trials. Forensic accounting is judicious mix of accounting, auditing and investigative skills to perform investigations of financial frauds. It is helpful for legal action and analytical Accounting.

Definition of Forensic Accounting:

According to the Journal of Forensic Accounting is a form of investigative accounting which examines financial records in order to find evidence for a low suit or criminal prosecution.

Historical perspective of Forensic Accounting:

Maurice E. Peloubet first time used the term Forensic Accountant in 1946 in his essay "Forensic Accounting: Its Place in Today's Economy." Archaeological studies disclose that, during 3300-3500 BC, accountants of Egypt, were involved in the prevention and detection of fraud. During 18th century close relationship developed between accountancy and legal profession.

Evolution of Forensic Accounting in India

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

Wide use of Forensic Accounting developed in India after Enron case, Rajat Gupta case and Satyam Case. Very few Chartered Accountant firms have fraud examination as a separate practices. In India the formation of Serious Fraud Investigation Office is the landmark creation for the Forensic Accountants.

Forensic Accountant:

The authenticity of the results found by Forensic Accountant depends on the knowledge, skills, and experience of the forensic accountant. A forensic accountant must be capable of integrating knowledge and skills in the examination, analysis, interpretation, reporting, and testimonial support of evidence. In court, the forensic accountant can be an expert witness.

Objectives of forensic accountant

- To avoid fraud and theft
- To restore downgraded public confidence
- To formulate and establish a comprehensive corporate governance policy

- To create a positive work environment
- To use the forensic accountants conclusions to facilitate a settlement, claim, or jury award by reducing the financial component as an area of continuing debate.

- 5) It is not mandatory for companies to appoint forensic accountant in companies.
- 6) There is no specific guideline or act on forensic accounting in India.

Techniques and tools of forensic accountant

Different tool and techniques used for Forensic Audit are:

1. **Benchmarking** – comparison of financial results of one period with another or the performance of one cost center, or business unit, with another and overall business performance with its pre decided standards.
2. **Ratio analysis** –to identify any abnormal trends and changes.
3. **System analysis**- to examine the system in place and identify any weakness which could be opportunities for the fraudsters.
4. **Specialist software**-like audit tools for data matching analysis.
5. **Exception reporting** –Generating automatic unchangeable report that to find out deviation from the norms.

Steps involved in the forensic accounting

- Recognition of the problem
- Flowchart is prepared as how to go about
- Collecting the evidence to the problem
- Evaluation of summarization of the problem
- Preparation and submission of report

Problems of Forensic Accounting in India

- 1) In India, most of the financial fraud cases involved politicians, so it is crucial to find evidences against them.
- 2) Indian judicial system still follows age old British judicial system. It is expensive to bring the matter to court and hire expert advocates.
- 3) Due to liberalization and fast moving economy, more and more investors from foreign countries invest in India and so, it is difficult to find financial fraudster from other countries.
Because of continuous adoption of new techniques of Information and Technology by fraudster, it is difficult to Forensic Accountant to cope up with them.
- 4) Forensic accounting is an expensive field compared to other investigative fields.

II. CONCLUSION

Forensic accounting in India relatively a new area of study, It is being used as an investigative tool, rather than a preventive tool. If forensic auditing is made mandatory in various sectors many of the scam cab be restricted forensic accounting is very important tool to detect, investigate and prevent the frauds whether it is stock market fraud or bank fraud or cyber fraud, forensic accounting has become an indispensable tool for investigation.