

FORENSIC ACCOUNTING IN INDIA: AN EXPLORATION OF EDUCATION, PRACTICE, AND CAREER OPPORTUNITIES

Ms. Nirali Dave

Research Scholar,
School of Doctoral Research and Innovation
GLS University, Ahmedabad, Gujarat
E-mail: niralidave1995@gmail.com
<https://orcid.org/0000-0001-8416-7753>

Dr. Dharini Patel

Assistant Professor,
Faculty of Commerce
GLS University, Ahmedabad, Gujarat
E-mail: dharini.patel@glsuniversity.ac.in

Abstract

Forensic accounting gained popularity in India following the Enron, Rajat Gupta, and Satyam cases. Few chartered accounting firms specialize in fraud investigation as a practice area. The big four consulting firms Deloitte, KPMG, PricewaterhouseCoopers, and Ernst & Young control a large portion of this industry. Forensic accounting should be included in the curriculum at undergraduate and postgraduate levels across the country. This will help corporations and governments keep a lid on crime at the outset, writes Shashank Joshi. Forensic accounting is an area where forensic accountant examines financial information to detect and investigate financial fraud. ICAI has incorporated a Certified Course on Forensic Accounting and Fraud Detection for practicing CAs. 40% of the top American accounting firms are expanding their offerings to include fraud and forensics. Many accountants in India lack the expertise and knowledge required to conduct forensic accounting or fraud detection effectively. This course is crucial in India because it ensures that accountants can provide reliable testimony in court and during criminal investigations. Through this course, accountants in India can learn how to apply their accounting, auditing, and investigation skills to spot financial irregularities and gain a thorough understanding of the idea of forensic accounting. CFAPs are qualified individuals with the knowledge to look into cases of fraud, money laundering, and other financial crimes. The primary goal of CFAPs is to close the communication gap between financial data and legal proceedings. They do this by utilizing the most recent tools and technologies. A forensic accounting course may be included as a separate subject in the university curriculum.

Keywords: Forensic accounting, Forensic Accounting Education, Career Path

INTRODUCTION

The definition of "forensic" is "Using scientific tests to investigate a crime." Forensic accounting examines financial data for signs of suspected criminal conduct. Accounting, auditing, and investigative procedures are used by forensic accountants to determine whether a person or corporation has committed financial crimes such as fraud or embezzlement.

In his 1946 article "Forensic Accounting: Its Place in Today's Economy," Maurice E. Peloubet used the term "forensic accountant" for the first time. According to archaeological research, Egypt's accountants participated in the prevention and detection of fraud between 3300 and 3500 BC. Accountancy and law formed tight ties during the 18th century. Corporate scams are to blame for some changes to financial statement transparency. American Eliot Ness is credited with bringing down the criminal Al Capone in the 1930s, but his case was built on the work of Elmer Irey, an Internal Revenue Service accountant who ensured Capone was found guilty of tax evasion. He was possibly the first well-known forensic accountant in the country.

Meaning of Forensic Accounting ¹

According to ICAI's Framework Governing Forensic Accounting and Investigation Standards, Forensic Accounting and Investigations are defined as follows:

Forensic Accounting is the use of professional accounting skills in matters involving the possibility of fraud, to collect relevant evidence and facts which could help support an expert view for potential or actual civil or criminal litigation.

An investigation is the systematic and critical examination of facts, records, and documents for a specific purpose.

A brief explanation of the key terms used above is as follows:

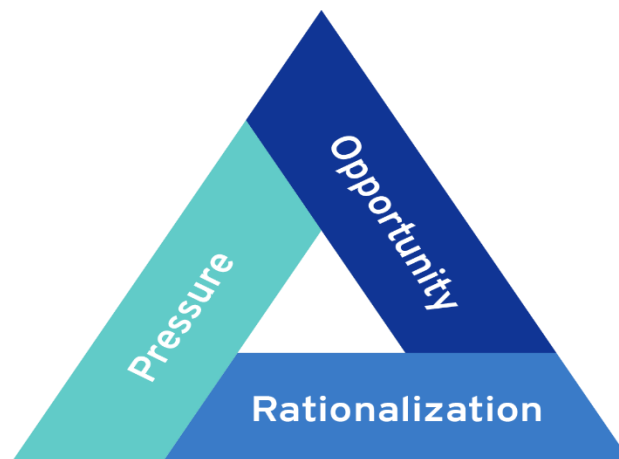
Forensic Accounting: The overriding objective of Forensic Accounting is to gather facts and evidence, especially in the area of financial transactions and operational arrangements, to help the professional form an independent expert view (but not to express a professional opinion) and support a legal case in the court of law.

Litigation: Litigation is a process of handling or settling a dispute in a court of law or before a regulatory body. Litigation would include alternative dispute resolution mechanisms.

Investigation: A critical examination of evidence, documents, facts, and witness statements concerning an alleged legal, ethical or contractual violation. The examination would involve collection, documentation, and evaluation to portray the facts of the alleged violation with an expectation that the matter might be brought to a court of law or a regulatory body.

Fraud: Fraud is defined as any purposeful or deliberate act to deprive someone of property or money through deception or other unfair means. As per prevailing legal provisions in India, one does not need to demonstrate whether or not there is any unjust gain or loss for fraud to occur.

Fraud Triangle:



Pressure:

Management or other staff members might receive incentives or feel pressured to commit fraud due to salary or advancement chances that surpass the excessive expectations of investors, banks, or other sources of funding. When determining whether an organisation is at a higher or lower risk of fraud, risk factors including incentives and pressures should be taken into consideration. Assessing the possibility of misstatements brought on by fraud is the auditor's main objective. This risk is assessed using risk variables such as personal net worth, financial stability, or profitability, and undue pressure to repay debt.

Rationalization:

People's ethical standards and individual circumstances influence their propensity to perpetrate fraud. External variables like job uncertainty and resentment, as well as an individual's character, serve as motivation for ethical action. It may be difficult for an auditor to observe or analyse signs of risk such as attitude and rationale. These are effects of an organization's culture, employee psychology, and the interactions between the two. It's important to take into account the larger business environment. Risk factors can include things like a history of breaking the law, a lack of communication about and support for the organization's basic principles, management issuing

¹ compendium of Forensic accounting and Investigation Standards (ISBN: 978-93-90668-08-3)

forecasts that are unduly optimistic or aggressive, personal financial responsibilities, unfavourable interactions between management and staff, and a disdain for internal controls.

Opportunities:

Circumstances may present an opportunity for management or other employees to perpetrate fraud, and people who would not normally be convinced to act dishonestly may succumb to the temptation. People who are under pressure and prone to fraud incentives are not a severe threat to a corporation unless a chance to act on their need occurs. To commit fraud, there must be an opportunity, and the fraudster must believe that the deception will go unpunished. The most important details are that large amounts of cash or goods are present, there is no internal control over assets, there is insufficient separation of jobs, there is no required work rotation, and there are no compulsory vacations. Some sorts of transactions are more vulnerable to fabrication or manipulation.

FORENSIC ACCOUNTING IN INDIA

In the year 2000, the Journal of Forensic Accounting, Auditing, Fraud, and Taxes was established. In his classic book Kautilya Arthashastra, the Indian philosopher Kautilya first introduced the term "misappropriation" to refer to the well-known "forty varieties of misappropriation."

After the Enron, Rajat Gupta, and Satyam instances, forensic accounting became more well-known in India. Few chartered accounting firms focus exclusively on the practise of fraud investigation. These services are offered by chartered accounting firms like Sharad Joshi and S.K. Jain (in the Xerox fraud case). However, a sizable piece of this market is under the grip of the four major consulting firms: Deloitte, KPMG, PricewaterhouseCoopers, and Ernst & Young. The Serious Fraud Investigation Office was established in India, which is important information for forensic accountants.

The Companies Act of 2013 opened the way for a cutting-edge strategy to combat economic fraud and protect national wealth in accordance with the British Bribery Act and American law. Reputational risk needs to be managed for effective risk management. A thorough examination was required, as well as a stable environment for guarding against fraud, irregularities, and holes in the compliance culture. Thus, forensic accounting was required to quickly locate the scam's perpetrators, identify the dangers connected with money laundering, and discover the planning and execution of the fraud.

Types of Fraud:

1. Banking Frauds
2. Corporate Frauds
3. Insurance Frauds
4. Health Care Frauds
5. Cyber Frauds
6. Securities Frauds
7. Consumer Frauds

Nature of frauds in India:

- Employee Fraud
- Vendor Fraud
- Customer Fraud
- Investment Scams
- Bankruptcy

Meaning of Forensic accounting education:

A financial expert is known as a forensic accountant who audits and investigates data as part of forensic accounting, a subset of accounting, to prepare it for use in court. You can decide if this is the right career for you by learning about the fundamentals of forensic accounting and the responsibilities of a forensic accountant.

Benefits of Forensic Accounting Education: (Seda & Kramer 2017)

1. Promote corporate governance
2. Prepare the students to participate in fraud investigations.
3. Increase the demand for forensic accountants

4. Prepare students to participate in litigation support consulting
5. Prepare the student to participate in expert witness

Obstacles of forensic accounting education: (Seda & Kramer 2008)

1. Availability of qualified faculties
2. A scarcity of job prospects for students
3. Lack of administrative as well as financial support
4. Absence of job opportunities
5. No significant importance to be included in the curriculum
6. No student Interest
7. Students' lack of interest

Best teaching methods used for forensic accounting education:

1. Case Study
2. Digital data recovery
3. Computer forensic lab
4. Data analytical software
5. Field trip
6. Internship
7. Moot court activity
8. Student research Project and presentation

Forensic accountants are highly trained and competent at detecting fraud in a variety of ways. Their knowledge of accounting, law, criminology, and fraud equips them to detect and stop fraud schemes. Most forensic accountants begin their careers in tax or auditing and then move on to forensic accounting.

LITERATURE REVIEW

Even though both groups agreed that the demand for forensic accounting services would increase shortly and that they preferred a separate course or degree be offered at the graduate and undergraduate levels, **Kramer et al. (2017)** found that there were some notable differences between educators' and practitioners' opinions on the subject matter of forensic accounting and preferred teaching methods. Practitioners preferred teaching strategies that included an experiential learning component and believe it is more crucial to include topics outside of traditional accounting in forensic accounting courses.

Kaur et al. (2023) concluded that the emerging difficulty in the legal, ethical, economic social, and regulatory front by corporate and government had motivated institutions across the globe to devote more attention to the domain of forensic accounting. Due to that some of the Institutes were providing a course in forensic accounting but the majority was for professionals like CA, CS, and CMA not for post-graduation and graduation. With the increase in demand for forensic accounting, Indian universities and institutes should include the course of forensic accounting in their regular curriculum at least as an elective paper.

Ebaid (2022) study identifies a weakness in the way forensic accounting is integrated into Saudi university accounting curricula. Most students felt that there would be greater demand for forensic accounting professionals in the future and that this weak level of integration did not satisfy them. As a result, it was necessary to give forensic accounting more attention in the accounting curriculum so that students could develop the skills necessary to work in this field after graduation. According to the students, adding a stand-alone course that covers all forensic accounting topics would be the best way to include forensic accounting in the accounting curriculum. There is now a greater need for forensic accountants to combat fraud and corruption. In developed nations, forensic accounting is taught in accounting programs. Studies from developing nations revealed a lacklustre forensic accounting integration. The findings of this study offer crucial guidance to Saudi university officials.

Richa et al. (2020) concluded that due to the increase in frauds in India, an organization like SFIO had to be strict rules and regulations in place to make sure that these frauds were stopped. This study also reveals that the duties of forensic accountants were very much responsible to investigate and litigation support so they must possess extraordinary qualities.

Baten (2022) analyzed the educators who were interested in improving or updating their current forensic accounting curriculum or who had not yet considered offering forensic accounting courses. These findings could also be used by students who wanted to pursue a career in forensic accounting to help them decide which courses to take. On the significance of incorporating forensic accounting instruction into the accounting curriculum, academics and practitioners were in complete agreement.

Mrinal et al. (2022) concluded that some universities in India were offering forensic accounting courses, but most were only for professionals. It had been beneficial to include forensic accounting in the accounting and finance curricula of many Indian institutions.

Sholih et al. (2021) concluded that only legal knowledge was accepted because each group of respondents had a unique perspective on legal insight. The hypothesis was rejected because other hypothesis indicators showed no difference (are the same). Indicators of forensic auditor expertise held by teaching accountants, accounting students, and auditors could be developed with more research.

According to an analysis by **Yusheng et al. (2019)**, the majority of international postgraduate students were unaware of forensic accounting, and those who were aware knew very little about it. The majority of academic institutions did not view forensic accounting as a distinct field or include it in their accounting curricula. Results indicated that, except for the US, forensic accounting is still largely unexplored in universities around the world.

Sahloul et al. (2019) investigated that there were gaps in the existing literature regarding exploring the perceptions about academic education related to "fraud and the weaknesses in internal control material." There was an urgent need to explore the perceptions of educators, students, accountants, and employers. The majority of existing views confirm the importance of incorporating fraud topics into the academic curriculum.

Ishwarya (2018) Surveys found that more than half of the academic fraternities in India were aware of the concept of forensic accounting. A study found that a lack of awareness and understanding of financial fraud and forensic accounting were key factors in measuring awareness of forensic accounting.

Chaturvedi (2015) This research focuses on forensic accountants and corporate fraud reduction. The initial objectives include an examination of the notion of forensic accounting, its necessity, and its role in offering a solution to the problem of fraud in corporate organizations. In this study, we looked at different definitions of forensic accounting, the components of forensic accounting, and the need for forensic accounting.

RESEARCH OBJECTIVE

- To gain a better understanding of Indian forensic accounting education and practices.
- To investigate the future demand for forensic accountants as well as the typical career path for them.

METHODOLOGY

The approach used in this research article is descriptive, where relevant information was gathered from secondary data sources such as respected academic journals and proceedings from reputable associations and organizations.

SCOPE OF FORENSIC ACCOUNTING

1. Examine the accounting and financial systems for signs of anomalous developments.
2. Establishing accounting procedures to verify important facts and data. The capacity to recognise probable fraud is essential for someone with a forensic accounting approach.
3. Perform audit types regularly to reduce transaction processing risks.
4. Cover a wide range of organisations and places where all transaction processing systems must be routinely or continuously monitored.

FORENSIC ACCOUNTANT SCOPE AND WORK

Although accounting-related issues are the main focus, a forensic accountant's job description may also include conducting more extensive research and gathering evidence. Nowadays, Almost every accounting company in the country employs forensic accountants with experience in insurance claims, personal injury litigation, fraud, construction audits, or royalty audits. Additionally, forensic accountants can help with appropriation procedures involving actual or suspected proceeds of crime, disputed transfers of funds, and the recovery of earnings from criminal activity. In India, forensic accountants fall into a specific category known as Certified Forensic Accounting Professionals. In India, Certified Forensic Accounting Professionals (CFAPs) are qualified individuals with the knowledge to work in law enforcement and the judicial system to look into cases of fraud, money laundering, and other financial crimes. They are equipped with the knowledge and skills necessary to conduct investigations into white-collar crimes, business valuations, insolvency cases, risk assessments for potential fraud, and other financial forensics. The primary goal of CFAPs is to close the communication gap between financial data and legal proceedings. CFAPs gather data, analyze financial data, and uncover hidden facts using specialized software and analytic techniques. CFAPs can offer trustworthy insights for legal and law enforcement professionals, assisting them in better understanding the financial ramifications of criminal activity. They do this by utilizing the most recent tools and technologies.

CAREER PATH OF FORENSIC ACCOUNTANT

Forensic accountants are knowledgeable auditors, accountants, and investigators of financial and legal records hired to look into potential fraud accusations made against a corporation or who are simply paid by a company to prevent fraud from occurring. Due to the complexity of financial transactions and the unpredictability of the global economy, it is now more crucial than ever to make sure that business activities are conducted ethically and legally. Forensic accountants are in charge of finding and documenting financial misconduct to support legal arguments or law enforcement agencies.

Accounting, auditing, and investigation skills are applied in forensic accounting. This field of accounting primarily verifies and evaluates the financial records of a customer or firm that is embroiled in a legal dispute. There are three major sections: litigation, inquiry, and conflict resolution. Forensic accountants are professionals who work in these domains. They assess the legitimacy of any action by employing expert accounting, legal, financial, and investigative skills. Forensic accountants are experienced auditors who defend an organization's accounts and prevent fraud.

In Universities curriculum courses can be integrated as a separate subject, Integration into accounting and auditing.

The following skill is required for the Forensic Accountant (DiGabriele, 2008)

1. Auditing skill
2. Communication Skills
3. Knowledge of psychology and victimology
4. General knowledge of accounting
5. Knowledge and skill in ICT
6. Knowledge of law and regulation
7. Problem-solving skills

DISCUSSION & CONCLUSION

Due to a scarcity of skilled forensic accountants in the sector, CAs are regularly expected to combine their accounting, auditing, and investigative expertise. They may lack training. The Council of the Institute of Chartered Accountants of India (ICAI) has introduced a Certification Course on Forensic Accounting and Fraud Detection for practising CAs in response to the demand for these abilities in the new economic environment. According to Accounting Today statistics, more than 40% of the top American accounting firms are expanding their offerings to include fraud and forensics. This scene will likely occur more frequently in India as well. Many accountants in India lack the expertise and knowledge required to conduct forensic accounting or fraud detection effectively. As a result, the ICAI's Certification Course on Forensic Accounting and Fraud Detection seeks to provide accountants with the information and skills necessary to identify, deter, and prosecute economic crimes. Through this course, accountants in India can learn how to apply their accounting, auditing, and investigation skills to spot financial irregularities and gain a thorough understanding of the idea of forensic accounting. Additionally, this course gives Indian accountants the chance to become familiar with forensic accounting legal procedures so that they can effectively testify in court. This course is crucial in India because it ensures that accountants can provide reliable testimony in court and during criminal investigations. A forensic accounting course may be included as a separate subject in the university curriculum.

RECOMMENDATIONS

Forensic accounting is a highly specialized field that is rapidly growing in importance in India. As such, it is critical that educational institutions, professional bodies, and industry leaders take steps to promote and support this discipline. Here are some recommendations for the development and growth of forensic accounting education, practice, and career paths in India:

- **Encourage Collaboration:** Collaboration between educational institutions, professional bodies, and industry leaders is essential for the growth and development of forensic accounting in India. Encouraging collaboration will promote the exchange of knowledge and ideas, as well as facilitate the development of best practices and standards.
- **Enhance Educational Curriculum:** Educational institutions should consider expanding their forensic accounting curriculum to provide students with a more comprehensive understanding of the field. This may include offering specialized courses, internships, and training programs that provide hands-on experience and exposure to real-life scenarios.
- **Establish Professional Standards:** Professional bodies should develop and enforce professional standards that regulate the practice of forensic accounting in India. These standards should be regularly reviewed and updated to ensure that they remain relevant and effective.

- **Promote Awareness:** Industry leaders and professional bodies should work together to promote awareness of forensic accounting and its benefits to businesses and organizations. This may include hosting workshops, conferences, and other events that educate the public about the importance of forensic accounting in today's business environment.
- **Provide Career Pathways:** Finally, there is a need for career pathways in forensic accounting in India. Educational institutions and professional bodies should work together to provide clear career paths for individuals interested in pursuing a career in this field. This may include providing guidance on educational requirements, certification, and job opportunities.

SCOPE FOR FURTHER STUDIES

There are various potential avenues for future research in the field of forensic accounting. One promising area of investigation is the comparative perspectives of global forensic accounting educators and their Indian counterparts and practitioners regarding their approaches and practices. Such research can help in identifying the best practices that can be adopted and implemented in India.

Another area of research worth exploring is the job prospects and compensation of graduates from forensic accounting education programs, which can provide insight into the skills and competencies that employers value the most. This research can also help to identify the strengths and weaknesses of new hires from forensic accounting programs as perceived by recruiters.

Furthermore, exploring the effectiveness of forensic accounting techniques and methodologies in the detection and prevention of financial frauds is another potential area of research. This can lead to the development of more robust and effective forensic accounting practices that can help businesses and organizations to combat financial fraud.

Additionally, the role of technology in forensic accounting is an emerging area of research that can be explored. The use of data analytics, artificial intelligence, and machine learning can revolutionize forensic accounting practices, and exploring their potential benefits and limitations can provide valuable insights.

REFERENCES

- Baten, M. A. (2022). THE IMPORTANCE OF FORENSIC ACCOUNTING EDUCATION; A SURVEY IN BANGLADESH. *Review of Business, Accounting, & Finance*, 2(1), 79-92.
- Chaturvedi, N. (2015). Forensic accounting in India (future prospects for its application). *International Journal of Recent Research in Commerce Economics and Management*, 2(1), 133-139.
- DiGabriele, J. A. (2008). An Empirical Investigation of the Relevant Skills of Forensic Accountants. *Journal of Education for Business*, 83(6), 331-338.
- Ebaid, I. E. S. (2022). An exploration of accounting students' attitudes toward integrating forensic accounting in accounting education. *International Journal of Law and Management*, (ahead-of-print).
- Ishwarya, M. Perception and Awareness of Academicians on Forensic Accounting in Virudhunagar Districts. *Technology*, 10(6.2), 38-9.
- Kaur, G., & Mukherjee, D. (2023). An Insight into Forensic Accounting. *Indian Journal of Forensic Medicine & Toxicology*, 17(1), 25-30.
- Kramer, B., Seda, M., & Bobashev, G. (2017). Current opinions on forensic accounting education. *Accounting Research Journal*.
- Kramer, B., Seda, M. and Bobashev, G. (2017), "Current opinions on forensic accounting education", *Accounting Research Journal*, Vol. 30 No. 3, pp. 249-264
- Olaoye, C. O., Ogunipe, A. A., & Dada, R. A. (2019). Formal education and forensic accounting development in Nigeria. *Acta Universitatis Danubius. Economica*, 15(2).
- Richa, P., & Madhu, T. (2020). Study on Forensic Accounting Practices and Fraud Management in India. *Think India Journal*, 22(43), 264-271.
- Sahloul, M. M., Self, S. W., & Simmons, M. M. (2019). PERCEPTIONS ABOUT ACCOUNTING EDUCATION RELATED TO OCCUPATIONAL FRAUD: REVIEW AND ANALYSIS. *International Journal of Business Research and Information Technology*, 6(1), 30-49.
- Seda, M., & Kramer, B. K. P. (2008). The emergence of forensic accounting programs in higher education. *Management Accounting Quarterly*, 9(3).
- Sholih, M. W., Prayogo, I., A'yun, A. Q., Afrizal, T., & Saputra, J. A Study of Academic, Practitioner and Accounting Students' Perception toward Expertise Accounting Forensic using Deductive Analysis: A Case study of Semarang State Universities, Indonesia.
- Supriya, H. (2019). Forensic accounting-emerging trend in Indian accounting field. *International Journal of Trend in Scientific Research and Development*, 3(4), 733-734.
- Yusheng, K., Antwi, S. K., Musah, M., Bonsu, M. O. A., & Donkor, M. EVALUATING POSTGRADUATE STUDENTS' AWARENESS OF FORENSIC ACCOUNTING AS A TOOL FOR FRAUD DETECTION AND PREVENTION.

Websites

<https://www.icai.org/post/icai-ed-forensic-accounting-investigation-standards>

<https://indiaforensic.com/certifications/career-path-of-forensic-accountant/>