



The Importance of Forensic Accounting in Resolving Corporate Issues

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Abstract

The professional accounting bodies now have a new perspective that extends beyond statutory audit and, in some ways, even the trend of corporate governance as a result of numerous corporate scandals and failures in recent history.

The concept, necessity, and function of forensic accounting are discussed in this article in relation to the complex issue facing the corporate sector.

Introduction

Regular auditing of corporate financial reports is required due to the expansion of public limited liability corporations, the significant rise in the number of investors holding shares, and the separation of ownership from control of companies.

According to AICPA (1992), the goals of the routine audit of financial statements by an independent auditor include the expression of an opinion on the fairness or otherwise in all materials regarding financial position, operational results, and cash flows in controlling with generally accepted accounting principles.

Modern organized corporate scams, on the other hand, are sophisticated and well-funded by managers, businesspeople, and politicians, to name a few. The demand for forensic accountants has arisen as a result of the necessity to respond to this evolving criminal danger and the need for non-traditional investigators with abilities like accountants and legal specialists to combat the corporate sick.

Problem

There is demand on professional accountants and legal practitioners to discover a better approach of uncovering frames in the business world due to the inadequacy of statutory audit to prevent and limit misappropriation of company funds and an increase in corporate crime.

A forensic accountant is needed in 39 percent of firms, according to a national research

by Kessler International. The purpose of the study is to determine how forensic accounting knowledge might lessen corporate fraud and mismanagement.

Methodology

In order to gather secondary sources of data for this theoretical investigation of the function of forensic accountants in resolving complex business problems, the study used existing literature on forensic accounting and its use in the contemporary corporate environment.

Literature Review

Definition

The definition of forensic accounting in the Webster's Dictionary is "Being to, used in or suitable to court, of judicial authority or to public debates, debate and eventually dispute resolutions." It is also defined as just an accounting analysis that is appropriate to the court and will serve as the foundation for discussion, debate, and eventually dispute resolution.

Forensic accounting is the practice of applying specialized body of information to the evidence of economic transaction and reporting appropriate is the purpose of analyzing and implementing or valuation of administrative proceeding. It also includes the use of accounting auditing and investigatory skill to assist in legal matter. It can be referred to broadly as the honesty of accounting auditing and investigation skill to forgo a specific outcome.

The "Forensic Accountant" profession has gained popularity after being named as one of the "20 Not Job Tracks" of the Future by U.S. News & World Report. However, according to Kessler International specialists, the field's popularity has hurt many seasoned accountants who lack the expertise to perform investigations carefully and affordably.

However, forensic accounting differs from traditional debit or credit accounting in that it offers an accounting study tailored to the



organization that will assist in settling any disputes that might emerge.

When conducting an investigation, forensic accountants make use of their expertise in accounting, auditing, and investigations. These accountants have been taught to investigate the dispute in various ways. They frequently continue to examine, interpret, and present complex information in a way that is comprehensible and likely to be supported. Additionally, they frequently engage in a variety of activities, including investment, computerized analysis of financial evidence development, document exhibition, and presentation of the gathered evidence.

The two primary focuses of this innovative and novel accounting are The two primary focuses of this innovative and novel accounting are:-

- i) Litigation support and inquiry and
- ii) Dispute resolution.

In the former, economic issues connected to ongoing lawsuit are presented factually. In this role, the forensic accountant is supported by parties engaged in legal disputes and can help resolve disputes even before they enter the courtroom. On the other hand, the latter is the out of determining whether criminal matters like securities fraud, which includes financial settlement, identity theft, and insurance fraud, among other things, in such complex cases.

Requirement of Forensic Accounting

The organization's internal and external audits were unable to identify specific flaws in the managerial system, leading to the requirement for a forensic accountant as a result of the audit system's failure.

Experts in the field noted that the severe economic pressure, with much more businesses at risk of bankruptcy, puts jobs and careers at risk, and employees are under pressure to retain and assist performance levels, leading many to engage in corruption. For whatever reason, an increasing number of forensic accountants are being hired to painstakingly search through documents, unearth new information, and assist in putting the erroneous pieces of a company's financial puzzle together.

The development of forensic accounting has the following significant causes.

- As a part of the management function, internal audit and the audit committee were unable to shed light on the many facts and other obscured components of corporate fraud.
- The statutory auditor's rotation touches on an issue, but it adversely necessitates a longer duration and rejects emphasis. The process for choosing the statutory auditors is not perfect because it allows for lobbying and collusion.
- The internal auditors could definitely notice what was happening, but they are rarely in a position to begin correct action in a timely manner.
- The certifications of the auditors are rarely checked properly, especially whenever the reports are filthy and qualified.

The Competencies of a Forensic Accountant

The standard and expertise required for the performance of his duties result from the requirements for forensic accountants. According to Aderibigbe (2000), a forensic accountant needs to be highly competent, honest, and ethical in order to do his work. According to him, in order to join a recognized accountancy body, a forensic accountant should undergo extensive training and demonstrate his expertise by passing all pertinent exams.

He insisted that even a forensic accountant must always conduct himself with honesty, integrity, and probity and must retain a professional demeanor while carrying out his duties.

Numerous talents are needed, but many of them must be learned over the training years.

Wallace (2001) outlined the minimum requirements a forensic accountant must meet, including:

- The capacity to quickly identify the key issues from a large volume of documentation, including memos, correspondence, and other less evidently financial data, as well as the more common accounting documents and management information systems.



- A solid grasp of the unique characteristics of several business methodologies.
- A feeling of urgency and dedication that will ensure swift action when necessary, despite how lengthy civil litigation may seem to observers or even to those involved in a dispute.
- Following a precise schedule even when it means working longer hours to fulfill the deadline.
- The ability to convey complicated theoretical concepts in a way that is understandable by laypeople, supporting those communications with figures and facts when necessary without projecting a sense of superiority, and
- Most importantly, the capacity to appear objective as well as professional even when participating in the essentially partisan procedure of a court case

What a Forensic Accountant Does

It is common practice to hire a forensic accountant to analyze, interpret, summaries, and present complicated financial and commercial information in a way that is both clear and well-supported.

A forensic accountant frequently assists in the investigation and analysis of financial evidence, the creation of computerized tools to aid in the evaluation and presentation of financial evidence, the communication of their conclusions in the form of reports, exhibits, and document collections, as well as supporting legal proceedings by offering testimony as an expert witness and creating visual aids to bolster trial testimony.

As a result, a forensic accountant could help in a number of ways, such as:

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- Offering early counsel as a preliminary evaluation of the pleadings and evidence provided at the beginning of proceedings.
- Identifying the important papers that need to be given access as proof. This is significant when the defense is represented by the

forensic accountant and attorneys are creating lists of papers to present in court.

- Creating a thorough, balanced report on the amount of evidence that addresses all issues, regardless of whether they are in the client's favor. The report should be written in language that is understandable to non-accountants.
- Reviewing and providing legal counsel on expert accounting reports that were presented by the opposing party and may have an impact on the amount of evidence.
- During pre-trial preparation, educating legal counsel here on financial and accounting components of the case.
- The introduction of environmental accounting can be started by the forensic accountant's other aircraft in order to highlight environmental harm and the potential for compensation or replacement of lost assets through ongoing environmental management.

Theft of assets, embezzlement, employee participation in kickback schemes, or transformation of company assets for personnel usages are the most common types of fraudulent activity committed by employees. To stop such behaviors, forensic accountants intervene and watch suspected asset examinations, invigilation's, document inspections, and interviews of those involved.

The forensic accountant can recommend internal control systems that owners could install to lessen the likelihood of fraud thanks to experience and this kind of interaction.

In addition, the forensic accountant would participate in criminal investigations on behalf of the police, and his report will be written with the goal of clearly and professionally presenting the evidence.

These presumptions frequently call for a thorough evaluation of accounting records spanning several years in order to quantify the difficulties at hand. He does need to be aware of business-related legal issues.

As a result, the forensic accountant could indeed help in a number of ways, such as investigation accounting, reviewing the section



entails and offering suggestions regarding potential courses of action, helping with professional and successful recovery of assets, and coordinating the efforts of other experts, such as private detectives, forensic document adjudicators, consulting engineers, etc.

Summary and conclusion

Forensic accounting is the bests ever growing areas accounting that enables in enhancing the chances o success in day to day life of corporate firm by surmounting all the vexing and critical problems of corporate field as panacea.

Thus various agencies fighting corruption worldwide will need to engage the service of forensic accounting to compliment efforts of other professional in reducing fraudulent activities and installing fraud proof internal control system in corporate organization. So it is beyond doubt that the role of forensic accountant will become very major in corporate field; public accounting and in all awareness of government in the days to come.

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