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A Study On Awareness And Need For Forensic Accounting Among Educators And Students

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Abstract:

Forensic accounting is an emerging concept in the accounting era. This has gained importance due to increase in financial scams. Forensic accounting used accounting knowledge to prepare accounts and used investigative skills to verify the statements. As this is a new trend in the accounting world, not much people are aware about its scope and need. This paper, analyses the need for using forensic accounting and also analyses the extent of awareness of forensic accounting. For this purpose, primary source of data is used and secondary data adds value to the findings.

Keywords: Forensic accounting, financial scams, investigative skills.

Introduction

In the current day corporate environment, data just does not exist in the personal computers of employees is shared internally and externally in some cases. In recent times cloud computing has gained a wider scope which on the other side is a threat for data security. This has forced the emergence of forensic accounting. Forensic accounting is an emerging concept in the accounting era. Forensic accounting is used a tool to unwrap financial crime and to provide true and fair information. Forensic accounting has broadened its horizon in recent times after a number of corporate scams that shook public trust and resulted in huge misappropriations of dollars. These scams paved way for forensic accounting to act as a key for investigating frauds by misrepresentation of accounting information. This paper analyses the need for forensic

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accounting and evaluates the awareness on forensic accounting among students and educators. The crucial pre condition skill set makes Forensic accounting a super specialized realm.

Meaning of Forensic Accounting

Forensic accounting can be defined as an application of accounting skills to detect fraud or embezzlement. Forensic accounting is an amalgamation of accounting, auditing and investigative skills. This involves analyzing and interpreting accounting information to financial institutions, banks and police forces. Forensic accounting provides both litigation support and investigative accounting. Forensic accounting provides litigation support by quantification of economic damages and the calculation of economic loss that arouse due to the breach of contract or due to the commission of fraud. Forensic accounting is divided into Litigation support, investigative and assistance, Fraud detection and computer forensics. The role of litigation support is to provide documentary evidence to rebut a claim and formulate questions to present in the court of law. Forensic accounting extends its scope to accounting, auditing and investigative sciences.

EVOLUTION OF FORENSIC ACCOUNITNG

Forensic accounting was developed in the early 1995 in the United States. In India, forensic accounting has emerged after the increase in financial frauds, commonly known as 'white collar crimes'. Forensic accounting is a new field in India and across the world to overcome corporate scams. The Companies Act 2013, which is antecedent to the American law and the British Bribery Act, has asked for a new outlook to prevent economic fraud. It stated that a proper risk management should involve effective E- management business process and a proper IT platform. The occasion of irregularities, frauds and non-compliances with the law has necessitated a proper investigation thereof and a strong preventive environment. Thus, forensic accounting was called for a detect planning and execution of fraud, the consequences of the fraud and book the culprits without much time lag. In 2005, CA Mayur Joshi established the first study centre for forensics. The increasing incidence of financial frauds, scams and scandals the Government of India has established three categories of agencies who fight for the frauds namely; SFIO, CBI, CVC.

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NEED FOR FORENSIC ACCOUNTING

The requisite for forensic accounting is because of the collapse of audit system in business firms, as the internal audit and regulatory procedures have failed to track mistakes in the managerial system. On an average, about 5% of the annual revenue of an organization is contributed from fraud. According to experts, forensic accounting is mainly employed due to retrenchment in observing the management and control layers have collapsed due to the fraudulent activities being neglected. Unethical top management leads to the need for forensic accounting. The Internal audit committee could not throw light on these instances due to a number of reasons as follows: rotation of statutory auditors reduces the time span of to investigate things that requires much time, certificates of auditors are not verified properly, which is the reason for unclean reports, and finally the internal auditors who detect fraud are also not in a position to take appropriate actions against the firm. So fraud is a deliberate deception committed for dishonest gain.

Forensic accounting is required to speculate the books and papers of the company and helps to convict employee for embezzlement. Forensic accounting also helps to solve disputes among partners in case of any conflicts during reconstitution deed. Forensic accounting also ensures that the accounting conventions are applied and calculates the quantum of loss arising due to accounts prepared against the Generally Accepted Accounting Principles. In addition to this, forensic accounting also helps to settle contractual and intellectual disputes, breaches, etc,

MEANING OF FRAUD:

Fraud is a legal concept which in general refers to any act against the legal framework of the country. A combination or any one of the following elements can be considered as fraud.

- A material misrepresentation or omission of material facts
- Reckless disregard for truth
- Any information misrepresented but justifiably relied by any person

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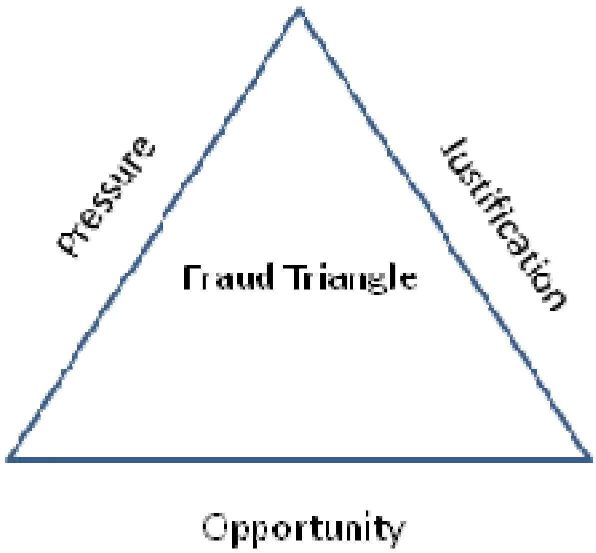
FRAUD TRIANGLE:

Commission of frauds and crimes are the key for the emergence of forensic accounting. The key factors or the drivers for committing frauds can be categorized into three main factors namely pressure factors, opportunity factors and justification factors. Each of these factors is discussed in detail below. But when we try to rank the impact or effect of any one factor it is understood that, all the three factors together cook the fire of crime and not just one factor.

Figure 1: Factors Responsible for fraud



When we say pressure factor it is further a mix of three kinds of pressure namely; pressure from financial content, pressure as an outcome of bad habits and pressure from job. The first one arises when people or business men are in need of cash. This can be long term or short term. The need for cash can be due to greed, debt, unexpected business loss or personal loss also. This pressurizes to commit fraud and earn more. The second form of pressure is a kind of habit that arise due to habits of committing frauds. Few attributes of human quality tempt them to commit fraud. This is observed in people engaged in gambling and addiction. The third form of pressure is a very common factor that arises due to the stress from job. Job stress can be due to grudges against management for low wage policy, delayed promotion or dissatisfaction with the work. Thus, all these three factors together constitute pressure in the work space which leads for the commission of frauds.

The second factor is the opportunity factor. This factor has impact mainly with the top management and owners of the business. The number of frauds committed in a business is inversely connected with the control structure of management. Better the control lower will be the number of frauds. Few instances of situations that leads to committing crimes are weak moral policies, a weak audit system, secret maintenance of records, partial disclosure of information.

The last factor responsible for fraudulent activity is efforts taken to justify the fraud. This is a kind of defensive mechanism to justify their actions. They try to play emotional tricks and exploit the practices for their self-needs. This happens at a situation where management also has a hand in mal practices. This can be controlled with the proper ethical value and establishment of the moral code to provide training to the employee. Thus, these are the common factors that are responsible for frauds in business.

REVIEW OF LITERATURE:

(Akkeren, 2014), in his study tries to understand that forensic accounting applies the accounting principles, theories and disciples into fact in legal dispute. This is done by the means of proving litigation support and investigative services. As per the authors study, incidences of corruption and frauds have been reported in large in the last decade. Social media and cyber-crimes were considered as a major threat to public and Government. Thus, the author concludes stating that the demand for forensic accountants is increasing in industries and firms to check frauds. This provides more job opportunities for forensic accountants.

(Anandaraj, 2014), in his article describes that monetary and accounting scams have become a great threat worldwide. Since past few days many monetary Scams have caused great effect to the personage. The idea about fraud and crimes should be a part of schooling. Main components for committing frauds are a hideout through white collar crime and fraud

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triangle. Commission of fraud not only leads to financial lose but also creates a negative crash in stock market growth and GDP. High profile leaders are also a part of these crimes. He concludes stating that Forensic accounting engagement is conducted by ACCA to investigate on this issue. Pune and few other places in Maharashtra have started courses in bank forensic accounting. Looking at the increase in the percentage of awareness the author expects that forensic accounting may gain importance in the upcoming future.

(BasuSukamal, 2014), in his article discussed forensic accounting as a new challenge in the cyber world. He describes that data is no more kept in privacy in a corporate server. This is a reason for huge crime. So he argues stating that forensic accounting is an effective tool for preventing this menace. Though it is in its initial phase it will gain power and importance in the law enforcing agencies. He concludes stating that a lot of technical support is required for it to be fruitful.

RESEARCH DESIGN:

This study is purely conducted as a fundamental research to extend the boundaries of knowledge in the stream of forensic accounting. This study is mainly intended to gain an overview about the concept of forensic accounting and to analyze the awareness on forensic accounting among educators and students. This analysis would result in identifying the need for forensic accounting as part of graduation.

STATEMENT OF PROBLEM

Forensic accounting is a new concept which gains importance in the corporate era. There are hardly a few aware of this concept. In fact, most of the people are still not aware of the concept of forensic accounting. This study is intended to educate the fundamental outline about forensic accounting and to state the level of awareness about forensic accounting among educators and students.

RESEARCH GAP:

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On reviewing various articles about forensic accounting it is understood that most of the authors have stated that forensic accounting is a new concept in the first stage of development. They stick to the phrase that development of this can happen only by spreading awareness about the topic and help by providing proper infrastructural support. So this article helps to identify the amount of people aware about the topic and educate them about the same.

SIGNIFICANCE OF THE STUDY:

This study is conducted to acquire knowledge about the term forensic accounting and its need and awareness about it among educators and students. This helps in identifying the benefit generated by using forensic accounting as an investigating tool. The study also provides a platform to compare the degree of awareness about the topic among students and educators. By doing this it provides a rough sketch to mark which area requires attention in spreading awareness.

SCOPE OF THE STUDY:

The study revolves around the various dimensions of forensic accounting and its awareness among the educators and students. The study concentrates on the extent of awareness and need for including forensic accounting as part of graduation.

OBJECTIVES:

- To gain a basic insight about forensic accounting
- To analyze the extent of awareness of forensic accounting among students and educators
- To explore the need of forensic accounting as part of academics.

LIMITATIONS OF THE STUDY:

The major limitation of the study is that the sample size has been restricted to fifty. The study did not point out all the factors which make the need for studying forensic accounting more important.

METHODOLOGY:

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DESIGN:

This study is a blend of both primary and secondary data. The author has used the primary source of data to collect information from educators and students about the awareness of forensic accounting. Then the author has referred various books and journals to collect information about various aspects of forensic accounting. Though primary data is the main form of research secondary data adds value for the findings.

DATA SOURCES:

For the purpose of analyzing the awareness of forensic accounting a simple questionnaire was circulated to find extend of knowledge about forensic accounting among students and educators. This also provided an additional objective of prioritizing the need for educating students about forensic accounting. In addition to that, various books, journals, and articles were reviewed to gain basic knowledge about forensic accounting.

SAMPLING TECHNIQUES:

For this study a simple random sample of hundred students and twenty-five teachers were chosen from the graduation level. The questionnaire was circulated among teachers educating graduates and students of graduation in commerce and management only. The samples were chosen on a probability basis.

STATISTICAL TOOLS:

The study mainly consists of a primary source of data. The data was collected by circulating a questionnaire among one hundred and twenty-five sample respondents. The responses were analyzed and interpreted in the form of tables and pie charts. For ranking the priority of skill sets the average ranking score was used.

FINDINGS AND CONCLUSION

The study tries to understand the multi-dimensional view on forensic accounting. The concept of forensic accounting is new in India. Many corporate scams and scandals recorded paved way for

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the emergence of forensic accounting. As the number of scams increased at a rapid rate the Government used forensic accounting as a tool to unwrap financial crimes. Forensic accounting can be defined as investigative accounting which can be used to examine the financial records of a business. Forensic accounting is gaining importance as it includes accounting, auditing and investigative skills that makes it a field of experts. Government operates in the field of forensic accounting by few agencies to fight fraud. The main function of forensic accounting is to detect and prevent frauds. The study also covers the various roles and skills required by a forensic accountant. For this purpose, the study used various secondary sources of data like books and articles.

The main aim of the study is to analyze the extent to which students and teachers are aware of forensic accounting. For this purpose, the author circulated a questionnaire among the respondents. On studying the responses, it is clearly evident that most of the respondents are either completely aware of forensic accounting or partly aware of the forensic accounting. On the other hand, the respondents have no idea about the concept and study about forensic accounting. The awareness of forensic accounting needs to be spread to reap more benefit from it. From the study, it can be said that respondents are partly aware but does not have a full picture about the forensic accounting.

The final objective of the study is to analyze the need for studying forensic accounting. As discussed earlier, people are not fully educated about forensic accounting. This acts as a great stop for the growth of forensic accounting. This can be overcome by educating students about forensic accounting from the graduation level. On educating students about forensic accounting, students get an idea about forensic accounting and its scope. The study also states that employment opportunities in this field are increasing day by day. So educating students will provide them a wide scope from opting profession. Educators should also be educated about forensic accounting as they can transfer their knowledge to many students through which the awareness will be widespread. In addition to this, keeping people aware of forensic accounting and its scope stops to commit white collar crimes.

CONCLUSION:

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This research was carried out to evaluate the awareness of forensic accounting among students and educators. In addition to this, the study also explains the various dimensions of forensic accounting and tries to explain the need for educating students about forensic accounting. For this purpose, a simple questionnaire was circulated among teachers and students in the ratio of 1:1. Few secondary sources of data were also used to add value to the content. The study provided a clear picture about the extent to which people are aware of forensic accounting with which it explains the need for forensic accounting. On analyzing the responses, the author defines that around sixty to seventy percentage of the respondents are aware of forensic accounting but are not educated properly and clearly about all the implications. Thus, the author concludes stating that, the awareness of forensic accounting has to be widespread, which will ultimately enable people to enjoy the benefit out of it and travel towards a fraud free corporate environment. This instigates the need for educating people about forensic accounting and choosing this as a profession would help to reduce white collar crimes.

SUGGESTIONS:

Forensic accounting is a growing profession which helps in improving the ethical value of the corporate. But many people do not opt forensic accounting as a profession. So the author suggests that the government should initiatives to train educators about the scope of forensic accounting. In addition to this, the Ministry of Education should include this as part of academics in the graduation level. This might increase the number of people who study forensic accounting and the vacancies in the field of forensic accounting would be filled.

FURTHER SCOPE OF STUDY:

On conducting the study, the author suggests that the same study can be conducted with the number of samples to get a clear view of awareness of forensic accounting. This would ultimately help in drawing generalizations about the study. Few other suggestions for research can be to analyse the need for studying forensic accounting, the study to identify the reasons for choosing forensic accounting as a profession.

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