

FORENSIC ACCOUNTING

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Abstract : Today forensic accounting is a fast growing area of accounting .Forensic accounting is a practice area of accounting which is used by the business in order to detect fraud in financial activities. The basic aim of conducting forensic accounting is the assessment and evaluation of economic transactions and to estimate the economic damages.

IndexTerms - forensic accounting, financial activities.

I. INTRODUCTION

Forensic accounting is a combination of accounting, auditing, and investigative skills to conduct an examination into the finances of an individual's as well as the business. It is an accounting analysis suitable to be used in legal proceedings. Kautilya was the first economist who recognized the need of the forensic accounting. Forensic accounting is used by the finance professionals in order to settle disputes such as misconduct of business, fraudulent activities, detection of frauds etc. In India, Reserve Bank of India has made forensic accounting audit mandatory for all banks. Forensic accounting is also used by the insurance field in order to establish damages from claims. Simply forensic accounting is the process of forensic investigation, such as preparation of expert reports and statement and also acting as an expert witness in legal proceedings. Thus forensic accounting is the application of a specialized knowledge and specific skills used to find out the evidence of economic transactions.

Definition of Forensic Accounting 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."

II. OBJECTIVE OF THE STUDY

To understand the basic concept of forensic accounting.

THE MAJOR ASPECTS IN FORENSIC ACCOUNTING ARE:

Investigative services: It deals with investigation of criminal matters such as employee fraud, securities fraud and insurance related frauds etc. It also includes the suggestions regarding the possible course of action.

Litigation support services: It involves providing accounting assistance in litigation matters. A forensic accounting expert measures the damages borne by the parties involved in a legal disputes and can aid in settling conflicts, even before it reaches in the court . If the conflict reaches the courtroom, the forensic accounting professional could give evidence as an expert witness.

ACTIVITIES CARRIED DOWN BY FORENSIC ACCOUNTANT

The main activities of a forensic accountant is to investigate and analyze the financial evidence and to develop computerized application for analysis and presentation of financial evidence and communicate their findings and evaluations in the form of reports and collections of documents and assisting in legal proceedings including testifying in courts as an expert witness and preparing visual aids to support trial evidence.

IMPORTANCEOFFORENSICACCOUNTING

- It helps to find out the economic damages.
- Assessing standard ledger and financial reporting system transactions with falsification of accounts.
- Evaluating business rating in consolidations and accomplishments.
- Evaluating working transactions for compliance with basic operating processes and agreement.
- Scrutiny and examination of financial payment dealings in the accounting system to check whether they are within the standard company policy.
- It helps to find out the tax and business frauds.

BENEFITS OF FORENSIC ACCOUNTING

- The primary benefit of forensic accounting is that it helps to minimize unnecessary loss.
- The forensic accountant can ensure that risk of future exploitation is significantly reduced.
- Forensic accounting helps to increase brand reputation and authority.
- Forensic accountants play an important role in examining and investigating current financial processes and standards.

- It helps in the avoidance of legal problems.

CONCLUSION

In the changing scenario the need of forensic accounting are increasing day by day. Forensic accounting is used by the finance professionals to settle disputes concerning allegations, fraudulence and misconduct in business etc. It incorporates accounting, auditing and investigative skills in individual as well as the business finance in order to discover the financial crimes. Basically it helps to resolve the financial issues up to a certain extend and it can be produced as an evidence in court.

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