



# A STUDY ON HOW WELL ARE ACCOUNTING EXPERTS AND STUDENTS ARE AWARE REGARDING FORENSIC ACCOUNTING AND FRAUD AUDITING.

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## ABSTRACT

Throughout the 1900s, forensic accounting—the application of accounting principles in court—developed as a subject apart from ordinary accounting or auditing. As fraud altered the auditing profession, forensic accounting gradually developed as the accountant's response to fraud. One of the most in-demand accounting specialties in the early 21st century was forensic accounting, following a string of significant frauds. Since several significant frauds were discovered early in the twenty-first century, the field of forensic accounting has attracted a lot of attention from both professional and popular sources. Even if there is interest in the profession, there is still a certain element of mystery surrounding it. Although forensic accounting has been around for more than 50 years, more people will need to know about it as demand for the service grows.

**KEY WORDS:-** Forensic accounting, awareness regarding fraud.

## INTRODUCTION

Financial scams have been rampant in all areas of the global economy in recent decades. Numerous corporate scandals in India, including those involving Ketan Parekh (2008), Satyam Computers (2009), Harshad Mehta (1992), and Kingfisher Airlines Credit Card (2007), have had a negative impact on the growth of both the corporate and non-corporate sectors. Ramalings Raju is accused of fabricating financial accounts and misleading corporate reporting in the Satyam scam. Since the aforementioned organizations have been using forensic accounting to identify errors and frauds, it has gained more traction in the wake of these scams. In cases of fraud, forensic accounting has shown to be an invaluable tool. Combination of accounting, auditing, and investigation abilities to examine a company's financial statements is known as forensic accounting. Knowledge of forensic accounting can help to eliminate the likelihood of financial fraud by identifying it early on. The efficiency of the corporate and non-corporate sectors will likewise increase as a result.

The fraud researcher developed an online survey in the English language comprised of 12 questions. The survey was open to respondents from November 2022 to July 2023 and received a total of 386 answers.

## REVIEW OF LITERATURE

### Meaning of Forensic Accounting

*Merriam Webster's dictionary (2019)* defines Forensic accounting is often related to and deals with forensic experts using scientific knowledge to solve legal challenges in the accounting area. Forensic accountants are referred to as "forensic experts" in this context. In general, forensic accounting is concerned with the application of accounting, auditing, financial, and investigative abilities to common situations, all while adhering to the norms of evidence (Peterson 2015). The forensic accountant of the company will investigate any unsolved problem, any issue that is unclear, or any issue that has not been settled on the financial status of the organization.

*Corporate finance institute (2019)* conducted a study and found that forensic accounting is the examination of fraud or financial manipulation by rigorous investigation, study, and analysis of accounting entries.

### Need of awareness regarding forensic accounting and fraud auditing

*BBC-News (2014)* shows Tesco, the largest grocery company in the United Kingdom, overstated their earnings by \$250 million. The ACFE (2014) has been stating for many years that only a small fraction of fraud instances are discovered by external audits. Consequently, a third-party audit may not be the best method for identifying or reducing fraud. In light of that, the accounting system of reporting and procedural auditing may no longer be sufficient in the age of the information revolution to uncover financial statement fraud.

*Chui and Pike (2013)* noted that the skill sets and work objectives of external auditors and forensic accountants differ, which may be the cause of auditors' failure in fraud prevention and detection. Therefore, if the profession is serious about avoiding and detecting fraud in the financial statement, it may be necessary to start educating accountants in fraud detection techniques, particularly auditors.

This is such that nothing changes; just forcing auditors to identify fraud without sufficient training in forensic accounting abilities, ethics, and principle is like pouring fresh wine into an old bottle. Additionally, if the accounting profession wants to be relevant in the capital market in this era of digital revolution, it must constantly enhance the services it provides. Therefore, it appears that a system change to forensic accounting is required to lower the incidence of financial statement fraud and rebuild investors' faith in the corporate governance and financial reporting processes.

## OBJECTIVE OF THE STUDY

The study's objective is to find out how well accounting experts and students are aware of Forensic accounting and Fraud auditing. This study aims to assess the level of forensic accounting understanding among accounting experts and students.

## RESEARCH METHODOLOGY

This section will describe the methods employed to achieve the current study's research objectives. A properly conducted study determines the level of awareness of the subject of forensic accounting and fraud audits among accounting experts and students. As a result, defining the research technique is here:

**RESEARCH DESIGN:**

The research design of the study will be descriptive- cum- exploratory in nature.

**POPULATION:**

This study will be conducted in Haryana state and Delhi NCR. So, population of the study is all accounting experts and accounting students.

**SAMPLE SIZE:**

The sample size for the research was 386 professionals and students. The samples are collected from population randomly.

**DATA COLLECTION:**

On the basis of data gathering sources, there are primarily two types of data sources: primary and secondary. Our study was exploratory in nature, and it looked into the numerous aspects and components of forensic accounting and fraud auditing. The data source for this study is primarily primary data. Secondary data, on the other hand, has been used to demonstrate the prevalence of fraud in the Indian economy.

**DATA COLLECTION INSTRUMENTS:**

The data will be collected through using structured questionnaires and direct interview in this study. For data collection, a new type of questionnaires will be used called "Google Forms." It is a postal outline questionnaire format that is commonly used in survey research.

**FINDING AND DISCUSSION**

Is any awareness regarding Forensic accounting and fraud auditing presents among accounting experts and accounting students? This is the research question for which we did the experiment, collect data, made the analysis, and prepare the results. Below tables are showing results:

Table 01 shows the Mean and Std. Deviation of statements regarding our objective

Sr. No.	Statement	N	Sum	Mean	Std. Deviation
1.	Use of fraud auditing and forensic accounting practices improve the ability of my organization to identify frauds.	386	1490.00	3.86	0.703
2.	The detection and prevention of fraud in the private sector can be helped by forensic accounting and fraud auditing.	386	1622.00	4.20	0.721
3.	Fraud reporting is significantly impacted by forensic accounting and fraud auditing.	386	1593.00	4.13	0.693
4.	I think the only way to find suspicious transactions is through forensic accounting and fraud audits.	386	1566.00	4.06	0.740
5.	In Haryana and the Delhi NCR, forensic accounting and fraud auditing services are required.	386	1662.00	4.31	0.680
	<b>Valid N (list wise)</b>	<b>386</b>			
	<b>Average</b>			<b>4.11</b>	<b>0.707</b>

Table 01 show that the average Mean of all the statements is 4.11. This value is close to 04 in Five Point Likert Scale. This means that accounting experts and accounting students believe that they are aware of forensic accounting and fraud auditing approaches and its S.D. is 0.707. It means S.D. is less than 1. Less than 1 S.D. indicates that the data are clustered closely around mean. Statement wise response of accounting experts and students are discussed in following below mentioned points-

**i) Statement 01 –**

After collecting data from a total of 386 people, we find that a maximum of 218 respondents agree with statement 01, that is, they believe that using forensic accounting and fraud auditing practice has increased the ability of their organization to prevent fraud. While 96 people believe that they undecided with this concept, they do not know whether using this concept has increased the power to detect fraud in their organization or not. 62 people believe that they can say with certainty that due to using this concept, frauds in their organization are decreasing compared to before. 10 people believe that due to using this concept there was no impact on the efficiency of their organization. This concludes that about 56.5% people believe that fraud auditing and forensic accounting practices improve their organization's ability to detect fraud.

**Table-2**  
**Use of fraud auditing and forensic accounting practices improve the ability of my organization to identify frauds.**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	<b>Strongly Disagree</b>	0	0.0	0.0	0.0
	<b>Disagree</b>	10	26	2.6	2.6
	<b>Undecided</b>	96	24.9	24.9	27.5
	<b>Agree</b>	218	56.5	56.5	83.9
	<b>Strongly Agree</b>	62	16.1	16.1	<b>100.0</b>
	<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>100.0</b>	

ii) **Statement 02 –****Table-3**

**The detection and prevention of fraud in the private sector can be helped by forensic accounting and fraud auditing.**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Valid</b>	<b>Strongly Disagree</b>	0	0.0	0.0	0.0
	<b>Disagree</b>	6	1.6	1.6	1.6
	<b>Undecided</b>	51	13.2	13.2	14.8
	<b>Agree</b>	188	48.7	48.7	63.5
	<b>Strongly Agree</b>	141	36.5	36.5	<b>100.0</b>
	<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>100.0</b>	

After collecting data from a total of 386 people, we found that maximum 188 respondents agreed with statement 02 that they feel that Forensic Accounting and Fraud Auditing is very helpful in detecting and preventing fraud in the private sector. Whereas there are 141 people who strongly agree with this concept, they say that it has proved to be very effective in preventing fraud in the private sector. There are 51 people who are not able to decide whether the private sector has got any help because of this or not. They are undecided in this matter. Whereas only 6 people believe that forensic accounting and fraud auditing have no contribution in detecting and preventing frauds in the private sector. In conclusion, only 48.7 % feel that the detection and prevention of fraud in the private sector can be helped by forensic accounting and fraud auditing.

iii) **Statement 03 –**

After collecting data from total 386 people, we found that maximum 207 respondents agreed with statement 03. They believe that fraud reporting is influenced by forensic accounting and fraud auditing. Whereas 116 people strongly agree with the fact that forensic accounting and fraud auditing have the biggest impact on fraud reporting in any company. 59 people are unable to decide whether forensic accounting and fraud editing have any contribution in reporting fraud or not. 04 People disagree that this concept has any contribution in reporting fraud. In conclusion, only 53.6 % respondents feel that fraud reporting is significantly impacted by forensic accounting and fraud auditing.

**Table-4**  
**Fraud reporting is significantly impacted by forensic accounting and fraud auditing.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	0	0.0	0.0	0.0
	Disagree	4	1.0	1.0	1.0
	Undecided	59	15.3	15.3	16.3
	Agree	207	53.6	53.6	69.9
	Strongly Agree	116	30.1	30.1	<b>100.0</b>
	<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>100.0</b>	

iv) **Statement 04 –**

After collecting data from a total of 386 people, we found that a maximum of 198 respondents agreed with statement 04. They believe that the best way to identify suspicious transactions is through forensic accounting and fraud auditing. Whereas 109 people strongly agree that fraud auditing and forensic accounting are the only ways through which they can identify suspicious transactions. 71 people are not able to decide whether this concept is the only way to identify suspicious transactions. While 08 people disagree that forensic accounting and fraud auditing are the only way through which they can discover or detect suspicious transactions. In conclusion, only 51.3 % respondents think that forensic accounting and fraud audit is the only way to find suspicious transactions.

**Table-5**  
**I think the only way to find suspicious transactions is through forensic accounting and fraud audits.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	0	0.0	0.0	0.0
	Disagree	8	2.1	2.1	2.1
	Undecided	71	18.4	18.4	20.5
	Agree	198	51.3	51.3	71.8
	Strongly Agree	109	28.2	28.2	<b>100.0</b>
	<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>100.0</b>	

v) **Statement 05 –**

After collecting data from a total of 386 people, we found that a maximum of 172 respondents agreed with statement 05. They believed that there is a need for forensic accounting and fraud auditing services in Haryana and Delhi NCR. 166 people strongly agree that there is a need to use this concept in Haryana and Delhi NCR. Whereas only 48 people were undecided whether there is a need to take the services of this concept to increase the efficiency of employees in Haryana and Delhi NCR. Whereas we see that none of the 386 accounting experts or accounting students feels that the services of Forensic Accounting and Fraud Auditing are not required in Haryana or Delhi NCR. In conclusion, maximum 44.6% respondents agreed that forensic accounting and fraud auditing services are required in Haryana and Delhi NCR.

**Table-6**

**In Haryana and the Delhi NCR, forensic accounting and fraud auditing services are required.**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	<b>Strongly Disagree</b>	0	0.0	0.0	0.0
	<b>Disagree</b>	0	0.0	0.0	0.0
	<b>Undecided</b>	48	12.4	12.4	12.4
	<b>Agree</b>	172	44.6	44.6	57.0
	<b>Strongly Agree</b>	166	43.0	43.0	<b>100.0</b>
	<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>100.0</b>	

**CONCLUSION**

We collect data from 386 accounting experts and students, we can conclude that if we talk about the average Mean, then we see that most of the people think that there is a need for forensic accounting and fraud auditing services and we can see that its S.D. is also 0.6 i.e. the spread of answer is also not much. Almost all the people believe that the service of Forensic Accounting and Fraud Auditing experts in Haryana and Delhi NCR is most needed. So that financial fraud can be prevented and the significance of the accounting system is only when it is free from any fraud and it can reflect the true financial position of the company. There is a need that all the accounting experts or accounting students who do accounting work should know about Forensic Accounting and Fraud Auditing.

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