



### IMPACT OF FORENSIC ACCOUNTING ON PREVENTION OF DIGITAL FRAUDS

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#### Abstract:

*The primary goal of this article is to assess white collar crimes, financial fraud through forensic accounting, and the intricacies of the business environment. Forensic accounting is the study of a company's financial accounts using accounting, auditing, and investigation abilities. The purpose of this research piece is to investigate the meaning, nature validation, and prospects in India. Forensic accounting appears to provide the needed solution to the problem of corporate fraud and financial mismanagement. This article examines the notion of forensic accounting, its importance, and its role in addressing the problem of fraud in business organisations.*

**Keywords:** *Forensic Accounting, White Collar Crimes, Financial through, Forensic Accounting, Techniques, Litigation Support, Historic Perspective*

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#### Introduction:

There have been countless financial frauds in recent years in various areas of the global economy. A series of corporate scandals in India, such as Harshad Mehta (1992), Satyam Computers, (2009), Ketan Parekh (2008), and Kingfisher Airlines Credit Card (2007), have harmed the development of the corporate and non-corporate sectors. Ramalinga Raju has been charged with fraudulent corporate reporting and fabricating misleading financial statements in the Satyam crisis. Following the above scams, Forensic Accounting has gained traction since it has been employed by the above companies to discover frauds and errors. In fraudulent

situations, forensic accounting has shown to be an invaluable tool.

Forensic accounting is the study of a company's financial accounts using accounting, auditing, and investigation abilities. Forensic accounting will be able to reduce corporate governance fraud, increasing the efficiency of both the corporate and non-corporate sectors. It will help to highlight the accounting and financial reporting system. Forensic accounting is still in its infancy. It will continue to increase at a constant rate in the future because, following the Satyam scandal, every organisation wants to know what the earliest warning signs of a



Satyam kind of fraud will be. It will be useful in providing future insights on financial frauds and blunders. It will aid in safeguarding the interests of stakeholders, consumers, employees, and suppliers who are directly associated with the companies.

### Literature Review:

Forensic accounting is quite useful since it deals with concerns with the estimation of economic damages. It is critical in tracing financial frauds and white-collar crimes. The review of literature is presented in the following paragraphs. The materials are found using a variety of books, journals, and websites. Customers, employees, and suppliers who have a direct relationship with the company.

Zysman (2001), forensic accounting is the combination of accounting, auditing, and investigative abilities used to aid in legal matters.

Joshi (2003): Has conducted research on Forensic Accounting, which is defined as the application of specialised knowledge and specialised competence to almost fall upon the evidence of economic transactions.

Crumbley (2003), Forensic Accounting is an accounting discipline because it deals with the investigation and analysis of economic data.

Coenen (2005), Forensic Accounting is the application of accounting concepts and procedures to legal problems. Legal difficulties will be resolved using accounting principles.

Crumbley (2006) stated that Forensic Accounting is appropriate for legal examination since it provides the highest level of certainty.

Young (2008), forensic accounting is the application of investigative and analytical abilities

for the aim of resolving financial challenges in a way that meets court standards and criteria.

Singleton and Singleton (2010), forensic accounting encompasses fraud detection, fraud prevention, and the analysis of antifraud systems.

### Need of the Study:

To improve the image of corporate sectors, forensic accounting is essential to minimise financial irregularities. Forensic accounting guarantees that accounting policies and methods are strictly followed – and that any unexpected things placed into such a system are detected. The purpose of this research is to discover how forensic accounting knowledge can help to reduce corporate fraud and mismanagement due to digitisation and various other malpractices.

### Statement of Problem:

A series of frauds have recently been committed in the corporate sectors of the economy due to advancement in digitization. The purpose of this research is to discover how forensic accounting knowledge can help to reduce corporate fraud and mismanagement due to digitisation and various other malpractices.

### Objectives of Study:

The primary goal of this research is to examine the future prospects of forensic accounting in India.

To identify the many applications of forensic accounting in India.

To study Forensic accounting is examined in relation to various scandals.

To examine Forensic accounting's role in resolving financial issues such as financial fraud and misconduct in the corporate environment.

To investigate the possibilities of employing



Forensic Accounting to reduce the occurrence of fraud cases.

### Hypotheses:

Ho: Application of Forensic Accounting will not improve the accounting practices.

Ha: Application of Forensic Accounting will improve the accounting practices.

Ho: Forensic Accounting will not be able to minimize financial frauds

Ha: Forensic Accounting will be able to minimize financial frauds

### Methodology:

Data will be gathered for this purpose from secondary sources. Secondary data will be gathered through the use of a website, publications, journals, yearly reports from various reputable organisations, and SEBI rules. As a sampling technique, the convenience sampling technique will be employed. The collected data will be evaluated using various statistical tools and approaches.

### Forensic Accounting in India:

An increase in fraud and white-collar crime. There is a high demand for honesty, impartiality, and accountability in Indian corporate reporting. The Indian Institute of Chartered Accountants (ICAI) has begun a forensic accounting course for its members alone. "Certificate Course for Forensic

Accounting and Fraud Detection Using IT and CAATs" is the title. Today, only few university institutions provide forensic accounting courses (full-time or part-time). In this regard, Indian institutions lag behind other overseas universities. The Indian Institute of Chartered Financial Analysts (ICFAI) has launched a postgraduate diploma in forensic accounting. Although most Indian universities are still in the early stages of development, several universities and colleges are now offering "Forensic Science" courses. With increased levels of fraud and economic irregularities, forensic accountants' futures are projected to improve significantly in the near future.

### Top Fraud Attacks Due to Digitalisation:

The four most common types of fraud experienced by merchants remained similar over the past year, as did their overall incidence rates, as measured by the proportions of merchants who reported experiencing each of them. These top four fraud attacks include phishing / pharming / whaling, card testing, identity theft, and first-party abuse (also known as "friendly fraud"), and they continue to affect roughly one-third of merchants worldwide. The fact that these fraud assaults are seldom experienced in isolation and are frequently interconnected is a plausible source of their prevalence.

Type of fraud attacks experienced	% Experiencing (2022)
Phishing / pharming / whaling	35%
Card testing	34%
Identity theft	33%
First-Party Misuse	32%
Account takeover	27%
Loyalty fraud	25%
Coupon / discount / refund abuse	25%
Affiliate fraud	23%
Botnets	17%



Triangulation schemes	16%
Re-shipping	15%
Money laundering	13%

### ● Global Fraud Report 2022

Merchants must effectively detect and mitigate fraud assaults while also addressing a variety of broader business concerns related to and influenced by fraud. The findings of last year's fraud study demonstrated the relative frequency and severity of various fraud-related issues, which were all tracked again in this year's survey. According to the 2022 survey, the proportion of merchants suffering each

#### Top fraud management challenges experienced:

Identifying / responding to emerging fraud attacks	33%
Keeping up to date on regulations or rule changes by payment systems / card networks	31%
Changing business models quickly because of COVID-19	30%
Effectively using data to manage fraud	28%
Updating fraud risk models	27%
Expanding into new sales channels	25%

### ● Global Fraud Report 2022

While the form and prevalence of fraud-related difficulties remained largely stable over the past year, what did alter was the relative severity or difficulty each threat offered to merchants. Merchants are finding it increasingly difficult to recognise and respond to developing fraud assaults, update fraud risk models, and successfully manage fraud while expanding into new sales channels. And, while omnichannel fraud is still uncommon in comparison to most other difficulties, it remains a particularly troublesome issue for the retailers affected. On the other hand, merchants are finding it easier to overcome the hurdles of maintaining up to speed on payment rules and payment partner rule changes, as well as efficiently controlling fraud

of these fraud-related difficulties - or their respective incidence rates - has been impressively steady year on year. The majority of merchants are trying to recognise and respond to developing fraud assaults, while simultaneously dealing with the problem of staying up to speed with payment legislation or rule changes made by payment partners, and rapidly changing business models as a result of the COVID-19 epidemic.

despite a lack of internal resources and/or experience.

#### Results and Discussion:

The economic cost of these crimes has risen from 0.9% to 1.4% of revenue, with one out of every ten enterprises reporting a cost of more than 4% of revenue. The study indicates that there is little hope for immediate relief. This increase is attributed by respondents to the complexity of information technology, infrastructure, high worker turnover, and expansion into new hazardous markets.

#### Findings:

Forensic accounting is quite useful since it deals with concerns with the estimation of economic damages. It is critical in tracing financial frauds and white-collar crimes. In a nutshell, forensic



accounting is regarded as an appropriate technique for providing the highest level of assurance and adding credibility to financial accounts. However, as a new field of practise for Indian Chartered Accountants, Forensic Accounting has enormous promise. Due to the increasing increase in fraud and white-collar crimes in India, forensic accounting has only lately come to the forefront, and it will be able to reduce financial scandals.

### Recommendations & Suggestions:

Due to the significant increase in financial scams and white-collar crimes, forensic accounting has gained prominence. However, it is mostly unknown in India. It is a new profession in India. Financial frauds have been observed to be rampant in India due to a lack of stringent surveillance authority. India has already suffered significant losses as a result of the rapid surge in white-collar crime and the perception that our law enforcement agencies lack the necessary skills and time to unearth the scams. Furthermore, forensic accounting is still in its infancy in India. However, due to the increasing number of bank and cyber-fraud instances, its growing importance cannot be disputed. The "Forensic Research Foundation" is an immediate milestone creation. They assist in the investigation of fraud. In India, Serious Investigation Fraud Offices (SIFO) have been established to investigate fraud.

### Conclusion:

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 organisations. In this study, we looked at different

definitions of forensic accounting, the components of forensic accounting, and the need for forensic accounting. Forensic accounting should not become the exclusive domain of a small group of experts. It should be included in the curriculum at both the undergraduate and postgraduate levels across the country. This will initially assist both corporations and governments in keeping crime under control. Simultaneously, necessary legislative changes should be implemented to recognise the relevance of forensic accounting in general and forensic accountants in particular.

### Limitations:

The current study's scope would be limited to eliminating financial scandals in corporations using Forensic accounting and future prospects for its application in India. Policies and processes for reducing corporate financial misconduct.

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