

CURRENT STATE OF FORENSIC ACCOUNTING EDUCATION IN THE LIGHT OF MEETING INCREASED DEMAND OF FORENSIC ACCOUNTING PROFESSIONALS IN INDIA AND ABROAD

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Abstract

The recent increase in corporate frauds have created the demand for trained and skilled forensic accounting professionals worldwide. However, the current education system has not been able to respond to meet this growing demand as there is dearth of formal forensic accounting qualifications globally. The present research aims to analyse the increase in frauds viz a viz current state of forensic accounting education in India and worldwide. The findings of the study suggest that fraud cases investigated by Serious Fraud Investigation Office and RD are increasing in India and demand for trained forensic accounting professional will be increasing in the near future. Therefore, the study recommends to introduce forensic accounting as a subject at the UG/PG level as currently the education is not provided by majority of the universities

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Introduction:

In early 1940s, American sociologist Edwin Sutherland coined the term “white-collar crime,” describing it as “a crime committed by a person of respectability and high social status in the course of his occupation.” Since then, the perception and understanding of white-collar crime has changed in the business ecosystem. Today, the understanding of white-collar crime is far wider and covers fraud, bribery, corruption, embezzlement, forgery, insider trading, kickbacks, money laundering, racketeering, larceny, diversion of funds, counterfeiting and cyber threats such as ransomware, spear phishing, to name a few. **(EY’s Forensic & Integrity Services White Paper, 2016)**

The instances of frauds have increased in the last two decades in India and around the world. Frauds involving Enron, WorldCom, Lehman Brothers, Satyam Computers, Saradha Chit Fund, Kingfisher, Punjab National Bank etc. have caused huge losses in

billions of dollars.

As a rapidly growing area within the accounting profession, forensic accounting has emerged to investigate incidents of financial reporting frauds.

The present research is an attempt to understand the current state of forensic accounting education and practices.

Review of Literature:

Rezaee and Burton (1997), asserted that current initiatives in accounting education emphasize continuous lifelong learning and outcome-based assessment and the public interest in forensic accounting has made the accounting profession to consider issuing new standards on fraud detection. The study examined current coverage and future direction and role of forensic accounting education by undertaking a survey of both academicians and certified fraud examiner (CFE) practitioners. The researchers concluded that: the demand for forensic

accounting education and practice will continue to increase and that forensic accounting education should be integrated into accounting curricula either as a separate course or through modules in accounting and auditing courses.

Rezaee et al (2004) stated that financial scandals (e.g., Enron, WorldCom, Global Crossing, Qwest, Parmalat) have eroded investor confidence and made forensic accounting an attractive career opportunity for accountants to combat fraud. Still, there appears to be a gap between forensic accounting practices and education as there are only a limited number of accounting programs offering forensic accounting courses. The study gathered opinions of both academicians and practitioners regarding the importance, relevance, and delivery of forensic accounting education. Results indicated that the demand for and interest in forensic accounting is expected to continue to increase; more universities planning to provide forensic accounting education.

Seda & Kramer (2008) conducted a survey of academics to determine the extent to which colleges and universities are offering more depth in their fraud-related education to the benefit of students, organizations, and society in realization of the need to bridge the gap between forensic accounting supply and demand. 1,000 randomly selected academicians were surveyed and asked to complete an online survey of 22 questions related to forensic accounting education. The results revealed that out of total respondents, 34% offer a separate course on forensic accounting or fraud examination, 7% offer a forensic accounting program track, 34% indicated that forensic accounting is integrated throughout traditional accounting and auditing courses, and 25% of the academic respondents do not currently cover forensic accounting. In short, there seems to be no consensus on how to uniformly integrate forensic accounting into the accounting curriculum, however much positive momentum exists.

Wang et al (2016) researched on the availability of forensic accounting education and state of forensic accounting services in Hong Kong and mainland China and found that three universities/colleges in Hong Kong and nineteen universities/colleges in Mainland China offer forensic accounting courses/programs. The researchers further analyzed the effects of five environmental factors (economic; legal; social/cultural; political; and professional factors) on forensic accounting services in Hong Kong and Mainland China, which highlighted an increasing demand for forensic accounting services and thereby an increasing need for forensic accounting education in Hong Kong and Mainland China.

Bhavani et al (2016) examined the scenario of offerings and availability of forensic accounting education in universities in the UAE. The results provided insight into the direction of forensic accounting education in the UAE, where developing and improving forensic accounting education offerings has created serious buzz across the globe. Because of the increasing number of various corporate scandals all over the world, forensic accounting education has become the order of the day, and every accounting student needs to be trained in this field and every university has to offer it as part of the curriculum.

Rezaee et al (2016) in their study highlighted the ever-increasing need of forensic accountants due to existence of financial scandals, fraud, and related financial crises, They asserted that business schools and accounting programs worldwide contribute in preparing the most ethical and competent future business leaders, and accountants should pay attention to forensic accounting and integrate forensic accounting education into the accounting curriculum. They suggested that business schools and accounting programs throughout the world should respond to such demand by offering forensic accounting courses at either undergraduate and/or graduate levels. The

survey results provided support for forensic accounting practices and education in China as the fastest-growing emerging market.

Bhasin (2017) asserted that qualified, trained and mature Chartered Forensic Accountants (CFA's) can prove to be a valuable asset to the corporate sector, and gradually help to improve their corporate governance system. The study aimed to find out "how expertise of the Forensic Accountant can be integrated to improve the overall corporate governance scenario prevalent in India. On the basis of a questionnaire-based survey conducted in the NCR of India using a sample size of 120 practicing-chartered accountants, accounting academics, and potential users' researchers found that "critical thinking, written & oral communication, legal knowledge, auditing skills, deductive analysis, investigative flexibility, analytical proficiency and unstructured problem-solving are the most important skills required for the CFAs. Moreover, the study concluded that educators at the Universities should use these skills as an overall guide while designing their FA curriculum.

Yusheng et al. (2019), the majority of international postgraduate students were unaware of forensic accounting, and those who were aware knew very little about it. The majority of academic institutions did not view forensic accounting as a distinct field or include it in their accounting curricula. Results indicated that, except for the US, forensic accounting is still largely unexplored in universities around the world.

Alshurafat et al (2019) explored the forensic accounting curricula construction within Australian universities by performing a thematic analysis on the curriculum as presented on university websites. The study considered the major topics of the ideal forensic accounting curricula as described by the literature to inform its investigation about the status quo of programs and courses in Australia. The findings highlight the necessity of accounting and auditing as

prerequisite knowledge for any student wishing to engage in a forensic accounting course.

Tiwari et al (2022) attempted to examine the nature of relationship between Forensic Accounting Regulation (FAR) and Forensic accounting education (FAE). The findings were based on a sample of fifty countries as per the World Bank Gross Domestic Product ratio. The study found that Forensic Accounting (FA) courses are being offered by universities in twenty – five countries. Professional institutes provide certification in FAE in four countries. However, in twenty-one countries under study, there is lack of courses on FAE. The study suggested that the policymakers and regulatory bodies should take required steps for enhancing the level of FAR and FAE to commensurate the need of trained and qualified FA professionals.

Kaur et al. (2023) concluded that the emerging difficulty in the legal, ethical, economic social, and regulatory front by corporate and government had motivated institutions across the globe to devote more attention to the domain of forensic accounting. Due to that some of the Institutes were providing a course in forensic accounting but the majority was for professionals like CA, CS, and CMA not for post graduation and graduation. With the increase in demand for forensic accounting, Indian universities and institutes should include the course of forensic accounting in their regular curriculum at least as an elective paper.

Thus, the above researches clearly reinstate that demand for skilled forensic accountants will increase globally and therefore the education system should be ready to provide the qualified and trained professionals.

Research Methodology:

Objectives:

- To understand the concept of forensic accounting
- To examine the need for qualified forensic accounting professionals

- To examine the state of forensic accounting education in India and globally

Methods of data collection:

The present research is descriptive in nature and data for the same is collected from secondary sources like books, journals, government websites and internet.

Discussion and Analysis:

Introduction to Forensic Accounting:

In his 1946 article "Forensic Accounting: Its Place in Today's Economy," Maurice E. Peloubet used the term "forensic accountant" for the first time. According to archaeological research, Egypt's accountants participated in the prevention and detection of fraud between 3300 and 3500 BC. Accountancy and law formed tight ties during the 18th century. Corporate scams are to blame for some changes to financial statement transparency. American Eliot Ness is credited with bringing down the criminal Al Capone in the 1930s, but his case was built on the work of Elmer Irey, an Internal Revenue Service accountant who ensured Capone was found guilty of tax evasion. He was possibly the first well-known forensic accountant in the country. **(Dave and Patel, 2023).**

According to ICAI's Implementation Guide on Forensic Accounting and Investigation Standards (2013), Forensic Accounting by nature is an act of gathering evidences, conducting an evaluation of their relevance and reliability, and through interpretations of these evidences, reporting the findings, with a conclusion (if required) before a Competent Authority such as a Court of Law.

Forensic accounting includes the use of accounting, auditing, and investigative skills to assist in legal matters. It consists of two major components:

a) In case of litigation, investigative skills of forensic accountant are used in two ways, he can be called upon to give his expert opinion based on his investigation and may require possible courtroom testimony.

b) Forensic accountant's investigative skills are required for collecting, analyzing, and evaluating financial evidence, as well as the ability to interpret and communicate findings.

Until recently, detecting fraud or white collar crime was thought to be part of the accounting function. Fraud was something the internal or external auditors were supposed to guard against by their periodic audits. This area of accounting is known as forensic accounting. **(ICFA)**

Need for Qualified Forensic Accounting Professionals:

In response to increasing frauds and to regain investor confidence, it is important to have trained and qualified forensic accountants. Moreover, government of every country has to take actions to prevent corporates from committing these frauds.

In India, Serious Fraud Investigation Office (SFIO) formed through a Government Resolution is an Investigating Agency under Ministry of Corporate Affairs (MCA), which was given statutory recognition under the Companies Act, 2013 (the Act). It is a multi-disciplinary organization under the Ministry of Corporate Affairs, consisting of experts in the field of accountancy, forensic auditing, banking, law, information technology, investigation, company law, capital market and taxation, etc. for detecting and prosecuting or recommending for prosecution white-collar crimes/fraud.

The issue of surge in corporate frauds and steps taken by government to combat these frauds have been raised during the Rajya Sabha and Lok Sabha Sessions from time to time and based on the replies from Ministry of Corporate Affairs published via Press Information Bureau, the below tables have been compiled which indicate the number of cases and companies investigated by SFIO and RD's since financial year 2015-16

Table 1- No. of Cases assigned to SFIO and RD since financial year 2015-16

Year	SFIO	RD	Total
2015-16	21	3	24
2016-17	25	2	27
2017-18	22	52	74
2018-19	33	27	60
2019-20	26	33	59
2020-21	20	38	58
2021-22 (as on 17.03.2022)	14	Not available	
TOTAL	161	155	302

Source: PIB, Delhi

Table 2- No. of companies investigated by SFIO and RD since financial year 2015-16

Year	SFIO	RD	Total
2015-16	184	3	187
2016-17	111	2	113
2017-18	226	117	343
2018-19	414	126	540
2019-20	326	102	428
2020-21	49	65	114
2021-22 (as on 17.03.2022)	95	126	221
TOTAL	1405	541	1946

Source: PIB, Delhi

The above tables clearly highlight that more than 302 cases involving 1946 companies have been assigned for investigation in a span of 7 years.

The above statistics of investigations assigned to SFIO and RD in India and some high-profile accounting scams in the recent past have underlined the need to have qualified forensic accounting professionals who can help in preventing and detecting these frauds at an early stage.

State of Forensic Accounting Education in India and Globally:

Due to a scarcity of skilled forensic accountants in the sector, Chartered accountants in India apply their accounting skills to work in multiple areas of forensic accounting including fraud examination, financial investigation, dispute resolution, risk management and litigation support. They may lack expertise and knowledge required to conduct forensic accounting or fraud detection effectively. The Council of the Institute of Chartered Accountants of India, recognized this

need for Forensic Accounting and Fraud Detection, in the emerging economic scenario, and launched Certificate Course on Forensic Accounting and Fraud Detection for its members. Through this course, accountants in India can learn how to apply their accounting, auditing, and investigation skills to spot financial irregularities and gain a thorough understanding of the idea of forensic accounting. The big four consulting firms Deloitte, KPMG, PricewaterhouseCoopers, and Ernst & Young control a large portion of this industry. As per a recent report

(PwC's Global Economic Crime and Fraud Survey 2022), over 50% of Indian firms experienced economic crime in the last 2 years which has increased the demand for certified professionals with skills in forensic accounting & fraud investigation.

In the US, the two widely recognized Forensic Accounting certifications are:

- CFE from the Association of Certified Fraud Examiners (ACFE)
- Certified in Financial Forensics Credential (CFF) from the American Institute of Certified Public Accountants (AICPA).

Besides this, as per **Seda & Kramer (2008)**, The forensic accounting certificate programs typically require only two to five specialized courses. A few schools, such as Georgia Southern University, Florida Atlantic University, the University of West Florida, Carlow University and Edinboro University in Pennsylvania, Franklin University and Tiffin University in Ohio, Rider University in New Jersey, the University of Wollongong in Australia, and Villa Julie College in Maryland, have created a separate forensic accounting undergraduate or graduate degree. These degrees require several fraud-specific courses, the number and content of which depend upon the type of degree offered (e.g., minor vs. major) and the level of degree (undergraduate vs. graduate).

As per (**Bhasin 2007**), While the forensic accounting and auditing practice had commenced in the US as

early as 1995, the seed of this specialization has yet to take off in India. Forensic accountants are only dealing with financial implications of the cases entrusted to them and not engaging in auditing exercise. Forensic accountants are also increasingly playing more 'proactive' risk reduction roles by designing and performing extended procedures as part of the statutory audit, acting as advisors to audit committees, and assisting in investment analyst research. While majority of CAs have excellent analytical skills, they need to acknowledge that 'forensic' services require 'specialised' training as well as real-life 'practical' corporate experience.

As far as India is concerned, Certificate Courses by Institute of Chartered Accountants of India and Diploma by Institute of Cost Accountants of India provide the necessary certification and skills to its existing members. Apart from these, courses by IFS Education Dept. (International Forensic Science Institute), NSE Academy and online courses on Udemy, Coursera etc. have also been in place. Some autonomous institutes and colleges have also introduced post graduate of diploma program in Forensic Accounting. However at the undergraduate/ postgraduate level, few universities offer B.Sc (Finance)/ M.Sc (Finance) which gives an understanding of Forensic Accounting .

The below table gives an overview of the Forensic Accounting education in India

Table – 3 – Forensic Accounting Education in India

Sr. No.	Name of the Course	Conducted by	Eligibility	Duration	Fees
1	Certificate Course on Forensic Accounting and Fraud Detection	Institute of Chartered Accountants of India	For members	7 days (44 hours)	Rs. 14000 + GST
2	Program in Forensic Accounting and Fraud Investigation	NSE Academy in partnership with Grant Thornton Bharat LLP	Open for all	2 months	Rs. 50000 + GST

3	Short Term Certificate (No Exam) in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	7th Std or 10th (SSC) or 10+2 (HSC) or Diploma	2 months	Rs, 5000
4	Advanced Certification in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	10th (SSC) or 10+2 (HSC) or Diploma/ Degree	6 months	Rs. 10,000
5	PG Certification in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	Graduate	12 months	Rs. 15000
6	Certification (Expert/Gold) in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	10+2 (HSC) / Diploma or Pursuing Graduation	6 months	Rs. 20,000
7	Professional Specialized Certification in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	Diploma, or Graduation or Post-Graduation	12 months	Rs. 30,000
8	Universal Certification in Forensic Accounting and Fraud Examiner	International Forensic Science Institute	10th (SSC) / 10+2 (HSC) or Diploma or Graduation	12 months	Rs. 35,000
9	Diploma in Forensic Audit	Institute of Cost Accountants of India	CMA Final Level Students/ Qualified CMAs	6 months	Rs. 15000 + GST/ Rs. 18000 + GST
10	Advanced Diploma in Forensic Accounting	Indira Group of Institutes	Graduation	1 year	
11	MBA in Forensic Accounting	BML Munjal University	Graduation	2 years	Rs. 13,50,000
12	Master of Science in Forensic Accounting & Auditing	Gujarat Univeristy	Graduation	2 years	29600

Source: Compiled by the researcher

From the above table, it is clear that forensic accounting as a subject is not yet integrated in the accounting curriculum at undergraduate/postgraduate level for majority of universities in India.

Thus the above discussion clearly highlights the fact that forensic accounting education is at a nascent stage with very few educational institutions imparting the specialised degree in Forensic Accounting in India as compared to other countries likes US, Australia etc.

Conclusion and Recommendation:

Forensic accounting is a highly specialized field that is rapidly growing in importance in India. As such, it is important that educational institutions realize its importance and take steps to introduce forensic

accounting as a subject or as a separate degree so as to create awareness about the subject and meet increasing demands of forensic accountants in India and globally.

Here are some of the recommendations:

- **MOU's with professional bodies-** MOU

between educational institutions and professional bodies to conduct sessions by industry experts to create awareness about the subject amongst the student fraternity.

- **Integrating the subject in Accounting & Finance Curriculum:** Educational institutions should consider introducing forensic accounting as a subject at undergraduate level to provide students with a more comprehensive understanding of the field.
- **Separate Postgraduate Degree:** Educational institutions/ Universities should also explore the possibility of introducing it as a separate degree at PG level.

Scope for Further Research:

A primary survey can be conducted to understand academia and industry viewpoints about the need for forensic accounting education in India, integrating the subject at undergraduate/postgraduate level and methodology to implement and teach the subject.

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