

Forensic Accounting

Prepared by

Gaikwad J.S.

Assistant Professor

Dept. of Commerce

Dvp College Nimgaon Sawa

Definition:

- * Forensic Accounting is the art of investigating accounting records, financial statements, and other related financial records. The result of the investigation is mostly used for legal support and resolving conflict.
- * This job requires technical skills in accounting, investigation, and legal. These are what drive forensic accounting to become more attractive and highly paid. The investigation covers certain areas, including Fraud, crime, insurance claims, and shareholder disputes

Provide Litigation Support

- * Produce the Profit and Loss report of the company. This is simply figuring out how much profit or loss relates to the company, project, or subject matter.
- * Lost earnings/wages prepare reports related to the employee's loss or earnings. The best example for this point is that, for example, an employee sues their employer for wrongful dismissal, and the court wants to figure out the subsequent loss of this dismissal for the employee.

Expert Witness Testimony

- * Because forensic accountants are independent experts, they are preparing the expert report, but they also could be the witness used by the court.
- * So that is the reason why a most forensic accountant is hired by a lawyer or court to investigate the subject matter and produce the report. They can witness areas like profit and loss, Fraud, patent and copyright, breach of contract, and many others.
- * For example, the Forensic Accountant is engaged to investigate fraud in a company's purchasing department and present its report to the court.

Fraud Investigations


- * Fraud is a major expense to the company, and it is a virus that is hardly investigated and eliminated. The fraud investigation could be performed in many corporate, public, or private organizations.
- * The investigation could also perform in many different areas like Fraud over financial reporting and Fraud over the entities' assets. Yet, employee fraud investigation is the most popular service.
- * For example, Fraud over salaries, inventories, fixed assets, or cash collections. In this case, forensic accounting could provide the investigation services and determine the loss for those cases.

Insurance Claims Analysis

- * The forensic accountant can help both policyholders and insurers prepare and review the claim based on the term and conditions that cover the insurance policies.
- * The claim will prepare based on the deep and detailed analysis of the coverage in the policies on behalf of policyholders.
- * In this case, a forensic accountant might work closely with the accounting assurance team that knows clearly about financial loss.

The Objective Of Forensic Accounting

- * **Identify financial crimes:** Forensic accountants use their knowledge and skills to identify financial crimes such as fraud, embezzlement, and money laundering. They analyze financial data, review accounting records, and look for inconsistencies or irregularities that may indicate illegal activities.
- * **Gather evidence:** Forensic accountants collect and analyze financial data to gather evidence that can be used in legal proceedings. They may also conduct interviews with employees or other individuals who may have information relevant to an investigation.

- 
- * **Quantify damages:** In cases where financial harm has been done, forensic accountants can quantify the extent of the damages. They can calculate the amount of money that has been lost or stolen and provide a report that can be used in court.
 - * **Provide expert testimony:** Forensic accountants may be called upon to provide expert testimony in court. They can explain complex financial concepts to judges and juries and provide an opinion on the validity of financial evidence.

What Are The Issues That Normally Engage In Forensic Accounting?

- * **Fraud:** Forensic accountants are often engaged to investigate cases of fraud, which involve intentional deception or misrepresentation made for financial gain. They analyze financial records, transactions, and other evidence to identify fraudulent activities, such as financial statement manipulation, asset misappropriation, or corruption schemes.
- * **Embezzlement:** Forensic accountants play a crucial role in uncovering embezzlement cases. Embezzlement refers to the theft of money or property by someone entrusted with it, such as an employee or executive. Forensic accountants trace the flow of funds, analyze financial transactions, and gather evidence to determine the extent of the embezzlement and support legal proceedings.

- * **Money laundering:** Forensic accountants are involved in investigating money laundering activities. Money laundering is the process of concealing the origins of illegally obtained money by making it appear as legitimate funds. Forensic accountants analyze complex financial transactions, follow the money trail, and identify patterns and discrepancies to trace and uncover money laundering schemes.
- * **Intellectual property theft:** Forensic accountants assist in cases involving the unauthorized use of another's intellectual property, such as patents, trademarks, or copyrights. They analyze financial records, royalty agreements, licensing agreements, and other relevant documents to assess the extent of the theft and calculate financial damages caused by the infringement.

- * **Corporate espionage:** Forensic accountants may be engaged in cases of corporate espionage, which involve the unlawful gathering of confidential information from a company for competitive advantage. They analyze financial records, communications, and digital footprints to identify any unauthorized access, data breaches, or suspicious activities related to the theft of confidential information.
- * **Professional negligence claims:** Forensic accountants provide expertise in cases where professional negligence claims are made against professionals such as accountants or lawyers. They assess whether the professional has failed to provide the appropriate level of care, analyze financial records and reports, and quantify any monetary losses or damages caused by the negligence.

- * **Bankruptcy:** Forensic accountants are often involved in bankruptcy cases to analyze financial records and transactions, assess the financial position of individuals or companies, and determine the causes of insolvency. They assist in identifying any fraudulent activities, tracing asset transfers, and calculating potential recoveries for creditors.
- * **Privacy information:** Forensic accountants may be engaged in cases involving the mishandling or unauthorized disclosure of private information, such as medical records, financial information, or personal data. They analyze financial transactions, digital records, and other relevant information to identify breaches, quantify damages, and provide expert opinions in legal proceedings.

* **Divorce proceedings:** Forensic accountants play a role when complex financial matters are involved. They analyze financial records, bank statements, tax returns, and other documents to assess the value of assets, determine income, evaluate financial discrepancies, and provide expert opinions on financial matters related to the division of marital assets and spousal support calculations.



**Thank You*