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LAW CAPSULE

For Law Competitive Exams FORENSIC ACCOUNTING



Raj Singh Niranjani

Introduction

The Satyam episode has sparked a big debate on whether India possesses adequate law and investigation capacity for enforcement of good corporate governance for prevention of White Collar Crimes. While India has no dearth of legal provisions in various enactments, the real issue emanates from the ability to investigate and enforce such laws. Forensic accounting is one area where more training needs to be encouraged to handle such issues in future.

Forensic Accounting

Forensic Accounting uses Investigative Methodologies combined with Financial experience to a Legal end. It overlaps into various professions, but the focus is on White-Collar Crimes— Detecting and Preventing White Collar Crimes.

Some examples of Fraud are –

Sl. No.	Fraud	Explanation
1.	Fraudulent Practices in Corporate – Ghost Employees	Fictitious individuals created for the purpose of embezzling money for the company.
2.	Of the book Fraud – Cash Fraud	Stealing money from someone before it's journalized into the accounting system.
3.	Cheque Fraud	Use of fake or stolen cheque to steal money
4.	Insurance Fraud	Deliberately falsifying claim information to collect money
5.	Medical Fraud	Fraud by Medical entities such as Doctors, pharmaceutical suppliers, hospitals, or other institutions. Doctors have great power when it comes to conducting a fraud because they are trusted members of society. A doctor may falsely diagnose a patient, conduct an unneeded test and charge the Insurance Company.
6.	Bankruptcy Fraud	Someone going out of business decides to hide their assets from creditors
7.	Tax Fraud	Is committed when false tax return is filed with full knowledge of the filer.
8.	Securities Fraud	Example is insider trading which is use of asymmetric information that is not available to the public to buy and sell securities.
9.	Money Laundering	Involves the flow of "dirty money" (criminal proceeds) into a "clean" bank account or negotiable instrument; terrorist financing frequently involves the reverse flow: apparently "clean" funds converted to "dirty" purposes.
10.	Cyber Fraud	Use of computer and/or internet to commit fraud.

Forensic Accounting renders various services in the following issues of corporate field:—

- Business Fraud Investigation (Fund tracing, asset identification and recovery, forensic intelligence, gathering and due diligence reviews)
- Employee Fraud Investigation (existence, nature and extent of fraud)
- Matrimonial Disputes (tracing, locating, and evaluation of assets)
- Business Economic Loss (contract dispute, construction claims, expropriation, product liability claims, trademarks and patent infringement and losses stemming from breach of a non-competition agreement)
- Professional Negligence
- Mediation and Arbitration
- Loss Quantification

Association of Certified Fraud Examiners (ACFE) (www.acfe.org) provides *bona fide* qualifications for Certified Fraud Examiners through administration of the CFE Examination and Indian trainers can adopt best practices from international experience.

* Sh. Raj Singh Niranjani is an author & Law officer. He can be reached at raj.singh.niranjani@gmail.com.