

A Survey on Forensic Accounting

1

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INTRODUCTION

Globally, Forensic Accounting is coming to be one of the well-fortified expanded domain in the accounting career (Aribaba, 2013). In this chapter, the meaning of Forensic accounting will be examined. This will help create awareness of the significant use of a forensic accountant. Therefore, the objective of this chapter is to discuss the significance of forensic accounting in organizations and industries and the importance of forensic accountant in the detection and investigation of criminal activities such as fraud in an establishment. This chapter will be an eye-opener for the public on how forensic accounting can be used to curb fraud and criminal activities in our organization both locally and globally.

This study intends to evaluate the recognition and avoidance of fraudulent acts or fraud. The following are the objectives to achieve the aim of the study:

- 1) Examine the role of a forensic accountant in fraud recognition and avoidance
- 2) Examine and discuss the techniques that can be utilized in forensic accounting for detecting fraud or criminal activities.
- 3) Examine and discuss the concept of Fraud and forensic accounting
- 4) Discuss the relationship between forensic accounting

Research Questions

1. To what degree is the techniques of forensic accounting for revealing fraud or financial criminal activity reliable and effective.
2. To what degree do the existence of forensic accountant relevant in detecting and avoiding fraud or fraudulent activities.
3. To what degree do the existence of forensic accounting counteract criminal acts such as fraud

BACKGROUND

Meaning of Forensic Accounting

Forensic Accounting (FA) is defined as an ability, skill or knowledge acquired and applied to utilize accounting, auditing. It provides an accounting analysis suitable to be used in legal proceedings. Forensic accounting is frequently used in fraud and embezzlement cases to explain the nature of financial crime

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in court (Investopedia, 2019). Forensic Accounting necessitates the use of discovering sums of money, asset discovery and recuperation as well as due to meticulousness analyses. FA is also understood as an amalgamation of accounting and investigation practices to ascertain economic corruptions and one of its vital roles is to elucidate the kind of monetary misconduct to the magistrates.

History of Forensic Accounting

The significance of Forensic accounting set out following the year 2008, at that time when doubtful loaning exercises were in place then the massive Bernie Madoff Ponzi system make public extensive carelessness or misdeed and fraud in U. S. financial establishments (Morgan, 2017).

Overview of Fraud

Fraud is considered as an occurrence that is deliberately executed or discharged to obtain a benefit or generate a profit. It is also comparable to deceitfulness in business or the monetary market (My Accounting Degree, 2019). Fraud is considered as a broad legal word indicating a fraudulent deed that deliberately makes use of dishonesty to illegitimately deny another individual of cash, property or legal rights (ThoughtCo, 2019). Fraud depends on the use of deliberate falsification of information to achieve criminal acts (ThoughtCo, 2019).

The following are essential features of fraud (ThoughtCo, 2019)

- i. Falsification of a material fact: A deceitful proclamation encompassing material and pertinent fact need be prepared.
- ii. Realization of falsehood: The individual formulating the deceitful statement must comprehend that it is fallacious.
- iii. Determined to mislead: The deceitful proclamation need have been made deliberately with the focus of misleading and manipulating the target.
- iv. Realistic dependence by the victim: The rate in which the victim depends on the deceitful proclamation must be satisfactory in the sight of the law court
- v. Actual loss or injury suffered: As a consequence of victim dependency on deceitful proclamation, the victim experiences certain definite loss.

The Concept of Fraud

The Electoral and Financial Crime Commission (EFCC), 2004 and Okafor 2004, considered fraud to be a non-violent crime and illicit activity committed with the aim of getting illegal wealth either individually, as a group or an organized manner. Oxford English Dictionary, 2009 also referred to fraud as a wrongful or criminal deception intended to result in financial or personal gain.

Wang, Liao, Tsai & Hung, 2006 and Nwaze 2012 saw fraud as a planned tricky process or device usually undertaken by a person or group of persons with the full intention of cheating another person or organization to gain ill-gotten benefits.

Houck et al 2006 argues that forensic accountant requires unique skills and professional knowledge and training that is beyond academic degree. He also argues that for forensic accountants to be effective he must acquire relevant skills and knowledge. Forensic accounting came into existence due to failure of traditional auditor to detect and prevent fraud and other economic crimes.

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