

Forensic Accounting Education: Stakeholders View

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ABSTRACT

Corporate fraud is considered as biggest threat to business organizations in India. The cost of corporate fraud to businesses is difficult to estimate because not all fraud is discovered, not all uncovered fraud is reported. The incidences of civil or criminal action against culprits are almost nil in India. Each segment of stakeholder i.e. investors, lenders, creditors, etc were suffering on account of corporate frauds. Therefore, it is necessary to take remedial measures to prevent the occurrence of corporate frauds and protect the interest of all stakeholders. Forensic accounting, a new branch of accounting is widely used across the globe to detect corporate frauds. Forensic Accounting is defined as the process of verifying and analyzing accounting transactions and documents in order to detect the cases of manipulation, frauds, tax avoidance, misappropriation, illegal transactions, etc. Forensic Accounting is in nascent stage in India. Corporate India has realized the importance of forensic accounting and hence slowly adopting forensic accounting system. However, they were experiencing skill shortage. Hence, an attempt has been made to gather opinions of all stakeholders regarding conformity of course, academic-industry collaboration and perception about forensic accounting. Results indicate that the stakeholders viewed forensic accounting education as being relevant and beneficial to student as well as business community and the practitioners. The stakeholders also suggested that forensic accounting topics need to be integrated with the accounting curriculum. Results also indicate that forensic accounting certification programme offered by Indian educational institutions had poor conformity with the model curriculum of International Institute of Certified Forensic Accountants (IICFA). The results are useful to institutions that are considering integrating forensic accounting education into their curriculum or planning to introduce forensic accounting courses.

Keywords: Corporate Frauds, Forensic Accounting; Forensic Accounting Course, Forensic Accounting Curriculum

INTRODUCTION

In India, Registrar of Companies and Security Exchange Board of India has initiated various measures to ensure transparency in financial reporting system. In spite of these initiatives, there was an increase in incidence of corporate frauds such as Kingfisher Airlines, Sahara Group, etc. This has eroded the investors' confidence and public trust in the reliability of financial statements. Therefore, it is necessary to emphasis on improving investor confidence and public trust in financial reports. It is possible to regain public trust and investors' confidence in financial statements if the business organizations are able to detect the frauds. But, this requires specialized skills and this had made forensic accounting an attractive career opportunity for accountants to combat fraud. There is evidence of considerable growth in forensic accounting careers (Accounting Web 2002): on April 10, 2002, ABC News carried a fanciful item imagining a new TV series named "Fraud Squad," underscoring the fast growing field of forensic accounting; *U.S. News and World Report*, in a February 8, 2002 report, named forensic accounting as one of the eight most secure career tracks over the next few years; many universities are currently offering forensic accounting related courses in USA. But, in India only a limited number of educational and professional institutions are offering forensic accounting programs. There is little data available with respect to the integration of forensic accounting education into the accounting curricula and particularly whether academicians' actions are consistent with the needs of practitioners for well-trained and knowledgeable forensic accountants. This paper makes an attempt to gather the opinions of academicians and practitioners about the importance, relevance, and delivery of forensic accounting education. The paper has also made an attempt to know the demand for forensic accounting among students.

LITERATURE REVIEW

Zabihollah Rezaee and Robert C. Elmore conducted a study on “Forensic Accounting Education: A Survey of Academicians and Practitioners”. According to them the demand for and interest in forensic accounting is expected to increase and more educational institutions will come forward to offer forensic accounting education. The study also indicates that some significant differences exist regarding topical coverage of forensic accounting between academicians and practitioners. According to Mike Seda and Bonita K. Peterson Kramer there is no consensus among academicians and practitioners on how to integrate forensic accounting topics into the accounting curriculum. They also found that there was significant improvement in options available for pursuing forensic accounting education to students. Groomer and Heintz (1994) found that general topic of employee and management fraud was covered by six out of nineteen internal auditing courses surveyed. But coverage was minimal, limited to an average of 8.2% of total class time. Rezaee (1996) identified four universities that taught forensic accounting and discussed the course content in detail. Peterson and Reider (1999) surveyed universities and found a majority of respondents (84%) included fraud topics typically in the first auditing course, but sometimes in advanced auditing (15%). According to KPMG’s Fraud Survey (2003) more companies are experiencing incidents of fraud. Companies have initiated measures to combat fraud and have launched antifraud programs in response to the Sarbanes-Oxley Act of 2002. PricewaterhouseCoopers’ (2003) Global Crime Survey indicates that 37 percent of respondents in 50 countries reported significant economic crimes with the average loss per company of \$2,199, 930. Literature material on forensic accounting is not available in India. Further, Forensic Accounting is in nascent stage in India. This has motivated the researchers to take up the present study.

OBJECTIVES OF THE STUDY

- 1) To investigate standard of forensic accounting course offered by Indian educational institutions
- 2) To know the perception of stakeholders towards forensic accounting course.
- 3) To offer policy recommendations for promotion of forensic accounting course in India

RESEARCH METHODOLOGY

We have gathered data pertaining to forensic accounting education and performed a content analysis of forensic accounting course offered by all the institutions namely Institute of Chartered Accountants of India (ICAI) and Institute of Chartered Financial Analysts of India (ICFAI). The analysis of course description, objectives, and assignments was carried out in order to assess the conformity of forensic certification programme with IICFA curriculum and to find out the industry and academic collaboration. The respondents for the study were selected by using simple random method. The details of sample respondents selected for the study is given below:

Respondent Category	No. of Respondents
CA Students	50
Chartered Accountants	25
Industrialists	25
Total	100

The survey was conducted in 4 metro cities of India namely Bangalore, Mumbai, Chennai and Hyderabad. The data was collected through questionnaire and personal interaction. Secondary data for the study was collected from records of educational institutes, government reports, etc.

RESULTS

The researchers have reviewed the university, Professional Institutes and College websites and found that only finger countable institutions were offering programs in Forensic Accounting which was summarized in Table 1. Specifically, we found a total of 96 different forensic accounting graduate and undergraduate programs offered in the U.S.3

TABLE 1: NUMBER OF INSTITUTIONS OFFERING FORENSIC ACCOUNTING PROGRAMMES

Programme	Central Universities	State Universities	Private Universities	Professional Institutions	Total
Undergraduate Degree	NIL	NIL	NIL	NIL	0
Post-Graduate	NIL	NIL	NIL	NIL	0
Certificate Programme	NIL	NIL	NIL	02	2
Not Offering any Degree or Programme	46	353	228	NIL	627
Total	46	353	228	02	629

Source: website of universities

It is evident from table-1 that none of the university recognized by University Grant Commission is offering Forensic Accounting Course. Only two professional institutions namely Institute of Chartered Accountants of India (ICAI) and Institute of Chartered Financial Analysts of India (ICFAI) were offering certification programme in forensic accounting.

More than 50 percent of respondents (Table-2) had assigned score of 2 to the Forensic Accounting Certification Programme offered by Institute of Chartered Accountants of India (ICAI) and Institute of Chartered Financial Analysts of India (ICFAI), indicating poor conformity with the model curriculum of International Institute of Certified Forensic Accountants (IICFA). None of the respondent had assigned excellent or good rating to the programme offered by both the Institutes.

TABLE 2: CONFORMITY OF FORENSIC ACCOUNTING CERTIFICATION PROGRAMME WITH IICFA CURRICULUM (RATING)

	5 (Excellent)	4 (Good)	3 (Some)	2 (Poor)	1 (None)
Institute of Chartered Accountants of India (ICAI)	0	0	28	67	5
Institute of Chartered Financial Analysts of India (ICFAI)	0	0	35	53	11

Source: Fieldwork

TABLE 3: ACEDMIC AND INDUSTRY COLLABORATION

Respondent Category	Yes	% of Respondents
CA Students	23	46
Chartered Accountants	25	100
Industrialists	11	44
Total	59	59%

Source: Fieldwork

Majority of respondents suggested that there should be academia and industry collaboration to derive benefits from forensic accounting programme offered by educational institutions.

TABLE 4: PERCEPTION OF STAKEHOLDERS TOWARDS FORENSIC ACCOUNTING

Statement	Mean	SD	Variance	Rank
Forensic Accounting education is relevant and beneficial to stakeholders	1.6	0.15	3.18	1
Forensic Accounting helps in Eradication of Corporate Black Money	2.15	0.14	0.07	7

Forensic Accounting helps in assessing true & fair view of the Financial Health of the company	2.55	0.17	(2.75)	10
Forensic Accounting helps in Fair Valuation of Stock	2.11	0.14	0.32	7
Forensic Accounting helps in preventing Corporate Frauds	2.2	0.15	(0.26)	9
Forensic Accounting helps in Resolving Financial Disputes of stakeholders	1.6	0.16	3.16	3
Forensic Accounting helps in Settlement of Environmental & Contract Claims	1.76	0.15	2.36	5
Forensic Accounting helps in Accurate Assessment of Insurance Claim	1.71	0.15	2.61	4
Forensic Accounting helps in Accurate Assessment of Brand Value	1.96	0.14	1.24	6
Forensic Accounting topics should be integrated with accounting curriculum	1.5	0.15	3.17	2

Source: Fieldwork

The presented data shows that there are three high-ranked statements: Forensic Accounting education is relevant and beneficial to stakeholders ($M=1.6$ and $s=0.15$), Forensic Accounting topics should be integrated with accounting curriculum ($M=1.5$ and $s=0.15$), and Forensic Accounting helps in resolving financial disputes of stakeholders ($M=1.6$ and $s=0.16$). Stakeholders believe that Forensic Accounting will not help in assessing true & fair view of the Financial Health of the company and Forensic Accounting will not help in eradicating Corporate Frauds. Stakeholders have positive attitude about following statements a) Forensic Accounting helps in Accurate Assessment of Insurance Claim b) Forensic Accounting helps in Settlement of Environmental & Contract Claims c) Forensic Accounting helps in Accurate Assessment of Brand Value d) Forensic Accounting helps in Fair Valuation of Stock and e) Forensic Accounting helps in Eradication of Corporate Black Money.

SUGGESTIONS

India is expected to emerge as biggest market for forensic accounting. In the light of findings of the study, the following suggestions were made:

- 1) Specialized institutions offering Forensic Accounting programme should be set up in India
- 2) The following programmes should be integrated to derive benefits of forensic accounting: Forensic science, Law and Forensic Accounting.
- 3) Financial Forensic Lab should be set up at Institute of Chartered Accountants of India (ICAI) and Institute of Chartered Financial Analysts of India (ICFAI).
- 4) The forensic Accounting certification programme offered by two prime institutions in India need to be upgraded to bring conformity with curriculum of International Institute of Certified Forensic Accountants (IICFA).
- 5) The educational institutions offering commerce and business management programme should incorporate forensic accounting in their syllabus. This will create interest in the mind of students about forensic accounting.
- 6) The audit guidelines should be revised and forensic audit should be made mandatory in India. The forensic audit report should be made public. This will also ensures corporate governance which has nowadays has become fashion rather than practice.

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