DECODING FINANCIAL CRIME – INTRO TO FORENSIC ACCOUNTING

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1. What is Financial Crime i.e fraud?
2. Pre-Requisite for Forensic Accounting
3. Accounting Vs Auditing Vs Investigation
4. What is Forensic Accounting?

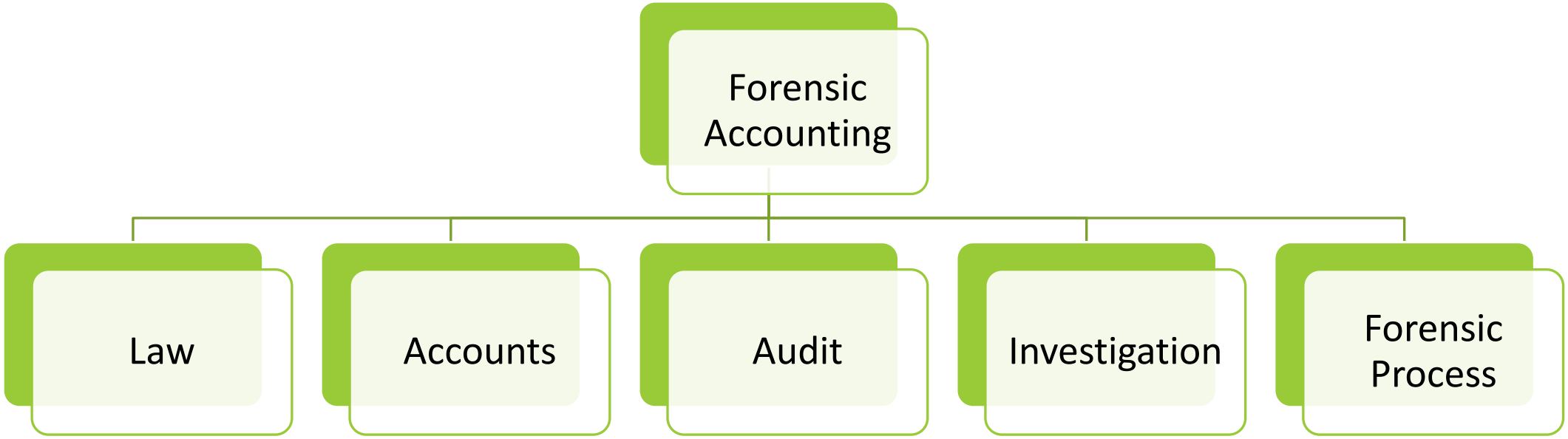
Financial Crime -Concept

An illicit Act by which any person illegally acquire the property of the victim.

In simple word – Crime relating to Finance are classified as

FRAUD

Pre-Requisite for Forensic Accounting



Concept of Fraud –Indian Contract Act ,1872

As per section 17 of Indian Contract Act 1872: "Fraud Defined – Fraud means and includes

any of the following **acts committed by a party** to a contract, or with his connivance, or by his agent, with **intent to deceive another** party thereof or his agent, or to induce him to enter into the contract."

Concept of Fraud –Company Act,2013

2(9) “fraudulently” means doing anything with the **intention to defraud** but not otherwise;

As per Companies Act 2013 , Fraud in relation to affairs of a company or any body corporate includes **any act, omission, concealment of any fact or abuse of position** committed by any person or any other person with the connivance in any manner, with **intent to deceive, to gain undue advantage from, or to injure the interests of, the company**

Concept of Fraud

Bhartiya Nya Sanhita

BNS-Section 111 (iii) "economic offence" includes

criminal breach of trust, forgery, counterfeiting of currency-notes, bank-notes and Government stamps, hawala transaction, mass-marketing fraud or running any scheme to defraud several persons or doing any act in any manner with a view to defraud any bank or financial institution or any other institution or organization for obtaining monetary benefits in any form.

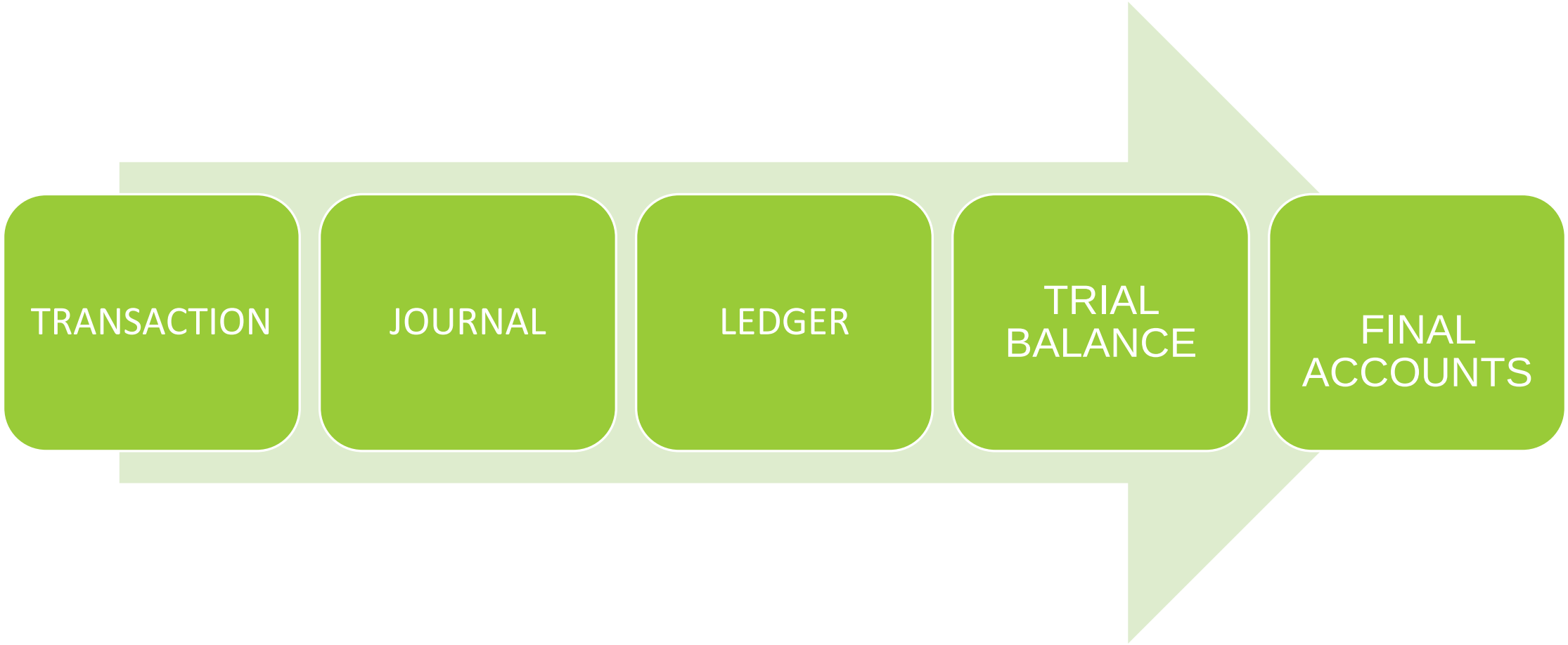
Identify Whether the Fraud or Error

1. Mr X has borrowed 1 Lakhs from his father for investing in business and utilized the amount for goa trip.
2. Mr X has borrowed 2 Lakhs from his Bank with purpose of investing in business whereas he had utilized the amount for goa trip.
3. Y has taken advance from Manager for purchasing stationery. He met with an accident and had use the advance for hospital expense

Concept of Accounting

Accounting is process of classifying ,recording , summarizing and analyzing the transactions to find out the profit or loss and asset-liability position of the organization

ACCOUNTING PROCESS

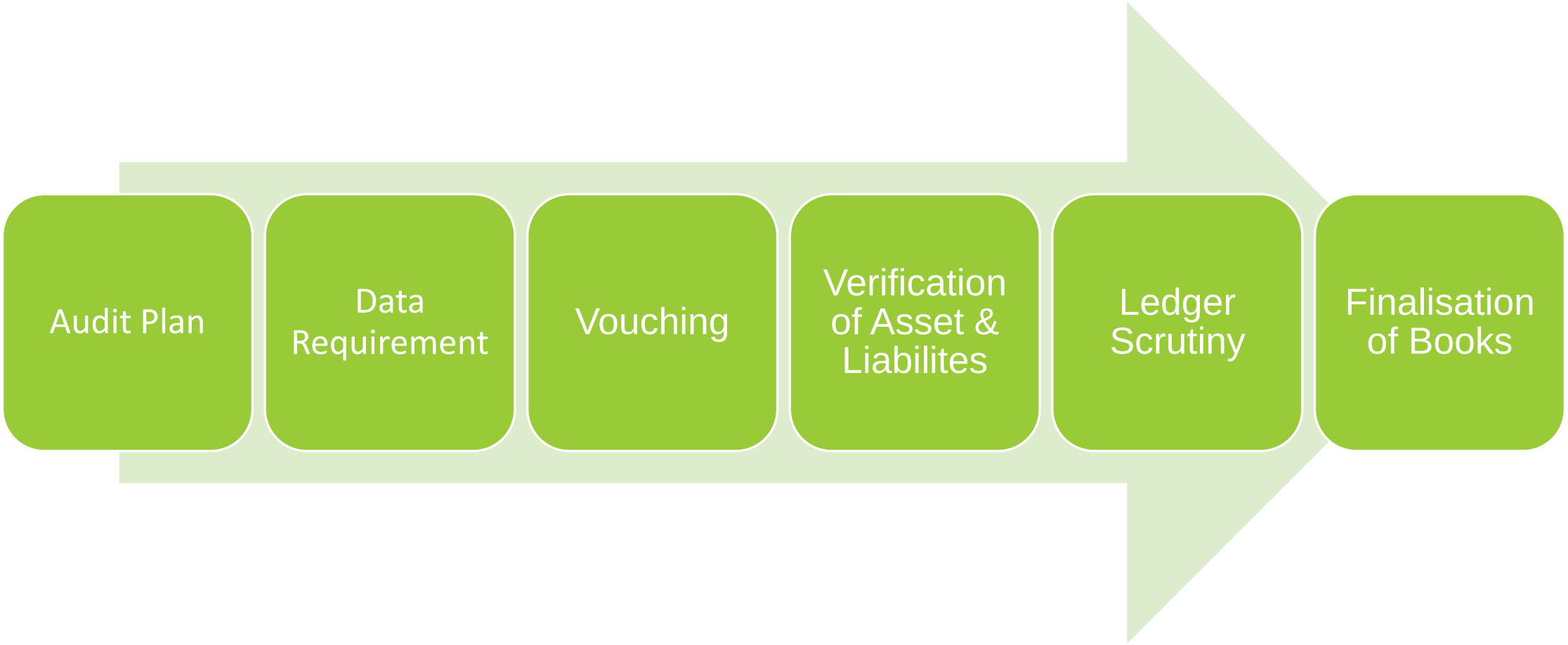


Concept of Auditing

Auditing is the process of ***independent examination*** *of transactions recorded in the Books of Accounts along with the documentary evidence ,* ***to form an opinion.*** *It includes verification of asset and liabilities.*

Main Objective – To find Errors

AUDITING PROCESS



Concept of Investigation

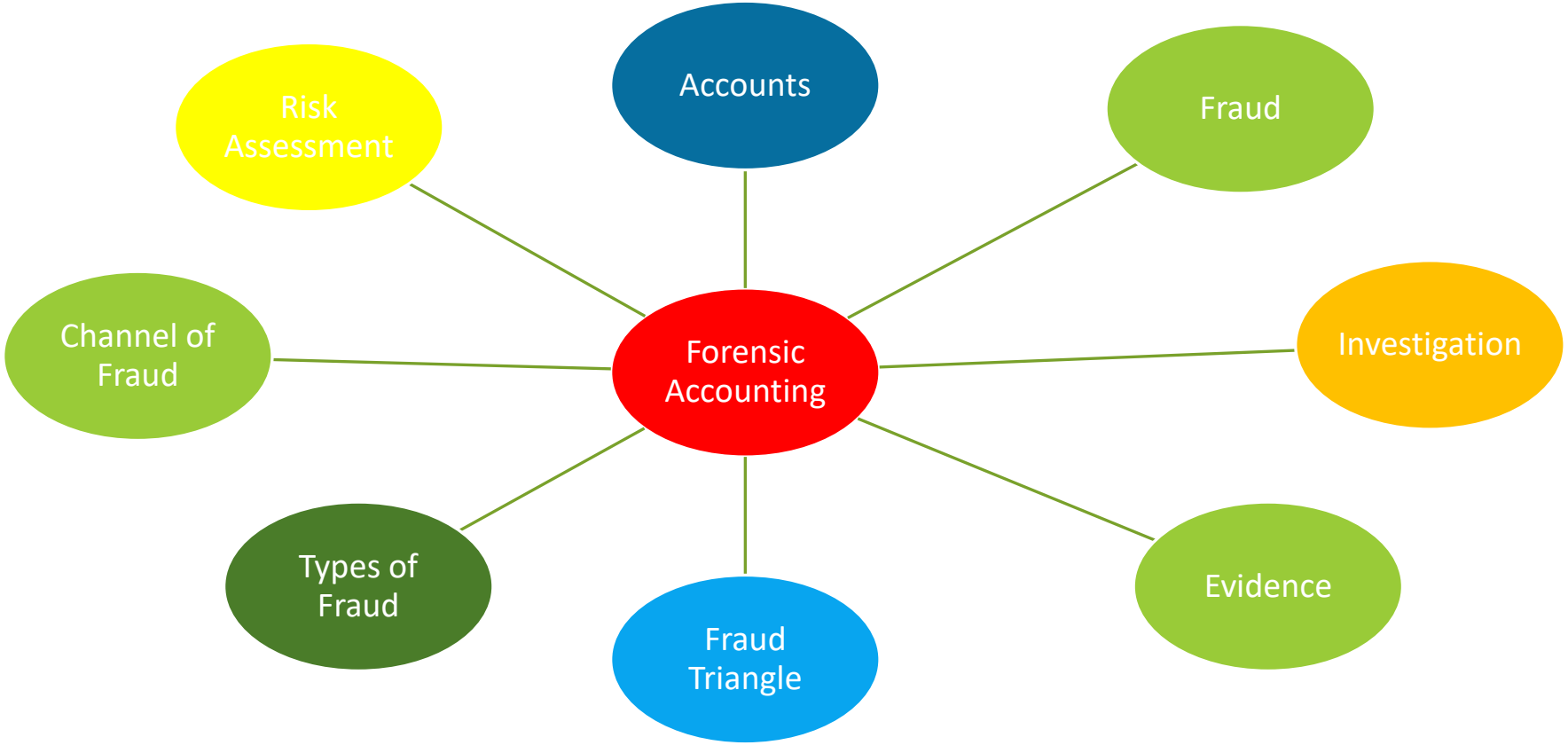
Investigation is the ***systematic and critical examination*** *of facts, records and documents for a* ***specific purpose.***

A critical examination of **evidences, documents, facts and witness** statements with respect to an alleged legal, ethical or contractual violation.

The examination would involve an **evaluation of the facts** for alleged violation with an expectation that the matter might be brought before a Competent Authority or a Regulatory Body.

INVESTIGATION PROCESS

Forensic Accounting

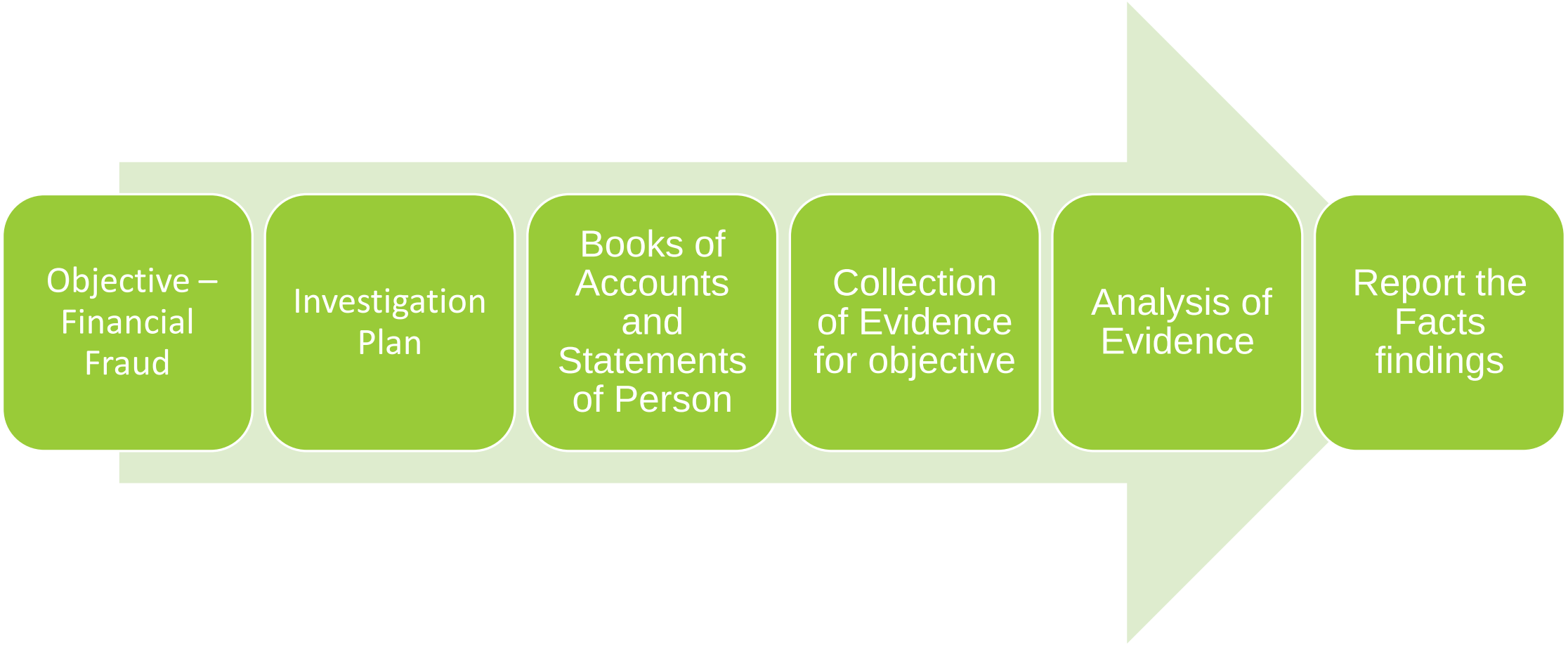


Concept of Forensic Accounting

Forensic Accounting is gathering and evaluation of evidence by a Professional to interpret and report findings before a Competent Authority.

Objective of Forensic Accounting is to gather facts and evidence, especially in the area of financial transactions and operational arrangements, to help the Professional report findings, to reach a conclusion (but not to express an opinion) and support legal proceedings

FORENSIC ACCOUNTING PROCESS



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