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Research Article

Components of Forensic Accounting Skills: Professionalism Perspective

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Abstract

Accounting scandals are increasing gradually resulting in requirement of more critical thinking profession of forensic accounting skills. This study was conducted through interviews of 16 practicing accountants from Bangladesh. When it comes to fraud prevention and detection there are certain critical accounting skills which are essential in the profession. The implications of this study could lead to an identification of these specific skills leading to reduction in fraud and fraudulent activities in the financial statements of the Bangladeshi organizations.

Keywords: forensic accounting skills, critical thinking, interview method, creative accounting

1.0 Introduction

The forensic accountant is required by the public sector organization to have a distinct skill set and ethical beliefs than the traditional accountant. Forensic accountants play a vital role in government, looking for evidence of suspect financial behaviour and fraudulent behaviour. Accountants that specialize in forensic accounting have a critical role to play in both private and the public sector. In other words, forensic accountants are obliged to go beyond financial data in order to notice what others cannot (Moid, 2016; Soleimany Amiri & Babaei, 2020).

When auditors failed to address fraud issues in the public eye, Moid (2016) noted that the legislation responded by making significant changes to corporate governance, auditor independence, financial disclosure, and criminal liability for companies.

2.0 Research Objective

To discuss the skills required for a forensic accountant in order to critically oversee the transparency of the books of the records.

3.0 Research Question

What are the skills required for a forensic accountant in order to critically oversee the transparency of the books of the records?

4.0 Literature Review

4.1 The importance of Forensic Accounting

Financial skills and an investigative mentality are applied to unresolved issues within the context of the rules of evidence in forensic accounting. A forensic accountant should have a variety of skills and expertise in accounting, auditing, law and investigation procedures (Domino, 2017). Strong ethical ideals and soft skills should accompany them. When it comes to investigative expertise, forensic accounting involves everything from interrogative skills to understanding of legislation and rules of evidence. If you think about forensic accounting as the bloodhound of bookkeeping, he can sniff out fraud, hunt for concrete evidence and figure out the misstatement (Mishra & Singh, 2017). Forensic accountants should have analytical capabilities, communication skills, technological know-how, and understanding of accounting and business, as well as knowledge of law and human behaviour (Alaoubi & Almomani, 2021). Accounting and auditing standards and procedures, evidence collection and investigation tactics, as well as litigation processes and procedures are all used by forensic accountants in the course of their job (Kumshe et al., 2018; Alshurafat et al., 2020). To be a forensic specialist, you must have precision, attention to detail, objectivity and problem-solving ability, as well as good spoken communication abilities and written communication skills (Domino, 2017).

4.2 Forensic Accountants

Forensic accounting requires specialized expertise in seven areas (Soleimany Amiri & Babaei, 2020). Forensic computer analysis is one of the areas covered. Other categories include financial statement falsification, economic damages estimates and bankruptcy insolvency and restructuring (Claire & Jude, 2016). To oppose the failure of the accounting and auditing systems management, this study examines fraud detection, prevention, and response. An accountant with training in communication, law, criminology, information technology, and investigation is well-suited to take on fraud and fraud-related projects (Othman et al., 2015). Forensic accounting services will continue to be in high demand in the future due to an increase in fraudsters' activities (Joseph et al., 2016) as a result of trade globalisation, new and sophisticated legislation, and advances in technology use and sophistication.

The current knowledge base of auditors may not be sufficient to combat fraudsters' use of advanced technologies. As a result, requiring the auditors to detect, prevent, and respond to fraud that may arise from the financial statement audit would be a futile effort. In the same way, the auditor's knowledge in practice is limited to the specific organisational setting and scope of the audit assignment (Abdulrahman, 2019). To avoid litigation-related liability for auditors, the statement by auditing standard setters that requires auditors to be aware of the probability of fraud in a financial statement audit (Paul & Yunusa, 2018).

Professional accountants (auditors) must also meet the requirements of the International Education Standard No. 3, which includes intellectual talents, technical and functional skills, interpersonal communication abilities as well as business management abilities (Tahir et al., 2020). Deductive analysis, critical thinking, investigative flexibility, specific legal knowledge, composure, and communication are among the forensic accountant's required qualities, according to previous studies (Okoye & Jonathan, 2019).

4.3 Creative Accounting Practices

From a positive viewpoint, "it may seem that creative accounting connotes invention of accounting principles and techniques to recognize changes in economic, social, political and business environments. But in reality, the term is not normally used in the positive, but negative, sense, although it might be both a blessing and a curse. It is a blessing when something new is created to refine the accounting system and becomes an addition to the existing stock of accounting knowledge. Creative accounting becomes a curse, and therefore undesirable, when unethical elements enter the system. But real-world experience reveals that it is in most cases practiced in an undesirable way to attract investors by presenting an exaggerated, sometimes misleading and deceptive state of an organization 's financial affairs. This is why this system of accounting is sometimes referred to as ―deceptive accounting. Thus, two perspectives of this term may be identified. The first one recognizes genuine changes in the business accounting practices while the second one reflects undesirable window-dressing". It is the second perspective is normally referred to as creative accounting (Akenbor and Ibanichuka, 2012).

Creative accounting is referred to also as income smoothing, earnings management, earnings smoothing, financial engineering and cosmetic accounting. The preferred term in the USA, and consequently in most of the literature on the subject is "earnings management", but in Europe the preferred term is „creative accounting‟ and so this is the term that will be used in this paper. It should be recognized that some accounting manipulation involves primarily balance sheet rather than earnings management. (Karim et al., 2011) The technique may be used to increase or decrease income in order to show higher or lower profit, to turn expenses into assets so as to increase profitability or to manoeuvre the net worth of the business. (Karim et al., 2016).

5.0 Methodology of the Study

The researchers used the online interview approach to obtain data for this study. The study was done in June 2021 in Dhaka, Bangladesh, among 16 accounting professionals. The first six questions are used to measure the indicated control variables, namely gender, age, education, marital status, profession, and monthly income. 16 accounting professionals were selected for this study. As at 16 the saturation level of the interview was achieved. There were 75% men and 25% women among the respondents. After then, 67% of them were between the ages between (21 years-30 years). At that time, 57 per cent of them had an accounting degree, 63 per cent of respondents were single. Furthermore, the researchers also used single themes to analyse qualitative data. Theme 1 (What skills are required by forensic accountants).

6.0 Analysis and Discussion

The forensic accounting skills which are essential are analysed and discussed with the articulation of the theme.

It was determined that certain forensic accounting skills are essential for the profession of a forensic accountant to detect the frauds which are critical in nature. They are discussed as follows.

Critical thinking is the most important skill required by a forensic accountant as transcribed from the interviews. 89 percent of the respondents emphasized on this skill. The forensic accountant needs to be rational, skeptical, reasonable, well informed and open minded.

The skill of being rational is the forensic accountant need to free from biasness. The essential skill requires skeptical too. So, the profession requires evidence rather that judgment. 83 percent of the respondents advocated for it.

The skill also highlights on being reasonable, as to be more on sound judgement. 89% of the respondent emphasized on it. Eventually a well-informed person is so essential as possessing well informed and accurate information. Finally, open minded is another skill highlighted by 76% of the respondents. Free from being bias and openness to accept new information and ways for better transparency of the financial information.

Articulation with research objective:

To examine the needs of forensic accounting skills at the public organizations in Bangladesh

In order to achieve this objective, the researchers collected qualitative data. A study of public accounting services in Bangladesh found that clients were satisfied with the accounting services provided by public organizations and that they were able to meet the needs and demands of their clients by providing all types of accounting services that customers require to maintain their business operations Accounting services for companies in Bangladesh are satisfactory, however there are still insufficiently skilled people working for public organizations in Bangladesh.

When measuring the dimensions of forensic accounting, it was found that clients were interested in acquiring accounting services again, but they were not loyal to the required level because their interest in word-of-mouth promotion was low. Clients' attitudes must be shaped so that they will want to urge others to use the company's accounting services, which is crucial for business success. Very vital is getting them emotionally involved, however while evaluating forensic accounting,

Forensic accounting has a considerable impact on organizational client retention, according to this purpose. It's necessary that public organizations build contact with their clients, because the company's communication is also crucial.

5.0 Recommendations

The implications of this study could lead to a reduction in fraud and fraudulent activities in the Bangladesh as the identification of essential skills are very important for the application of forensic accounting practices.

Firstly, better regulatory observation to be adhered to monitor the reporting entities.

Secondly, introduction of Forensic Audit Institute is mandatory from where appropriate qualification regarding fraud identification or detection and professionalism in the profession can be developed.

Finally, there must be a forensic accounting cell introduced by the government and a regular and surprise in nature forensic audit to be made mandatory by the amendment of the company act, so that forensic experts can detect frauds earlier rather doing a post mortem later.

6.0 Conclusions and Limitations

Forensic accountants are expected to possess certain core skills, traits and characteristics that are required for a wide range of investigative matters for which they are hired. This study sought to gain a better understanding of these As a result of this study; forensic accountants are expected to have strong

analytical skills. A forensic accountant's effectiveness is partly determined by his or her ability to communicate effectively, simplify difficult issues, and express opinions in a legal situation. An expert in this field should also be able to step back and see things from a broader perspective. This study sheds light on the fact that forensic accountants must exhibit particular features and characteristics, as well as core and augmented skills, depending on the sort of project they are working on. It was revealed in the survey that, in addition to a rising need for forensic accounting services, the market require forensic accountants to possess specific traits and fundamental skills, along with relevant degrees or certification.

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