

Measuring the Importance of Forensic Accounting and The Necessity of Integrating It into Higher Education Curricula

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Abstract

In the specialist field of accounting known as "forensic accounting," financial knowledge is used to look into and settle legal disputes and financial crimes. The need for forensic accounting knowledge has increased in recent years as businesses and organizations are under more pressure to adhere to complicated standards and stop financial wrongdoing. The trend has been affected by a number of factors, including the growth of international trade, the rapid improvement of technology, as well as the threats posed by ransomware. As a result, many businesses now understand the value of having forensic accountants on staff or retainers to aid in the detection and avoidance of financial crime and investigate and resolve legal issues.

The significance of forensic accounting is examined in this essay as the requirement that it be included in curricula for higher education. A brief history of forensic accounting is given at the outset, and then a review of the literature on the subject's significance and efficacy in identifying and preventing fraud follows. To do this, research will be done on the economic effects of fraud, the efficiency of forensic accounting in identifying and preventing fraud, and the state of forensic accounting education right now. Then, a survey of accounting professionals is undertaken to acquire information regarding the perceived significance of forensic accounting and the requirement of integrating it into higher education courses. The survey results are analyzed to ascertain the perceived significance of forensic accounting and the necessity for ongoing study in this field. This article will thoroughly evaluate the significance of forensic accounting, the necessity of incorporating it into higher education courses, and the need for ongoing forensic accounting research using the analyzed survey results.

Keywords: Forensic Accounting, Fraud, Education, Curriculum, and Financial Effects.

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Introduction

Due to the recent uptick in financial fraud cases and the demand for skilled professionals to identify and stop such practices, forensic accounting has attracted a lot of attention. As a result, researchers have been working to understand the importance of this discipline and the most effective methods of teaching students in it. Honigsberg (2020) asserts that the main goal of forensic accounting is to look into, find, and prevent fraud and other financial misconduct. It is utilized to look into financial crimes and track their offenders, which has increased the need for experts with the right training (Rezaee and James, 1997). To properly educate students for the job market, forensic accounting must now be included in the accounting curriculum (Seda and Kramer, 2009).

Many researchers have worked to comprehend the significance of this discipline and the most effective methods for instructing students in it as the demand for forensic accounting competence has increased. To investigate how different teaching techniques are perceived in the context of forensic accounting education, Alshurafat et al. (2020) carried out an empirical study. According to the study's findings, most participants thought that case-based and practical teaching techniques were more effective than conventional ones. They suggested that colleges should consider including forensic accounting in their curricula to educate students about the job market appropriately.

The above conclusions make it clear that forensic accounting needs to be included in higher education courses to educate students about the employment market properly. This study aims to evaluate the value of forensic accounting and the need for its inclusion in higher education curricula to create a new generation of professionals capable of identifying and preventing financial crime. The study will also be a helpful resource for educators, decision-makers, and experts. It will offer insightful information about the state of forensic accounting education. It will also add to the continuing discussion regarding the necessity of forensic accounting-specific training to deal with the expanding issue of financial crime.

Research Problem/ Objectives

The objectives of this study are to:

- Examine the economic effects of fraud.
- Evaluate the efficiency of forensic accounting in identifying and preventing fraud.

- Assess the current state of forensic accounting education.
- Survey accounting professionals to determine the perceived importance of forensic accounting and the need for its integration into higher education curricula.
- Analyze the survey results to determine the perceived importance of forensic accounting and the necessity of its integration into higher education curricula.

Justification

As financial fraud and other forms of financial misbehavior increase, forensic accounting is becoming an increasingly significant subject of study. To avoid and look into financial crimes, organizations must employ personnel or consultants that are knowledgeable in this field (Islam, Rahman, and Hossan, 2011). To adequately prepare students for the labor market, it has become crucial for universities and colleges to integrate this field into their curricula. The research paper will examine the value of forensic accounting and the requirement for it to be taught in higher education. It will also serve as a helpful resource for decision-makers and subject-matter specialists by providing current information on the state of forensic accounting education (Seda and Kramer, 2009; Saadeh, 2019).

Literature Review

Forensic accounting is a growingly significant area of accounting dedicated to giving a precise financial picture of a business or person. It entails utilizing specialist methods and equipment to detect and examine financial fraud and other abnormalities. Forensic accounting aims to find and correct financial anomalies and inaccuracies that would otherwise result in fraud or other criminal conduct (Islam, Rahman, and Hossan, 2011). Due to the growing complexity of financial reporting and the demand for precise financial data, this accounting area has recently grown in popularity. This section will review the forensic accounting literature and provide an overview of the current state of forensic accounting education. Additionally, the segment will discuss the economic effects of fraud and the role of forensic accounting in identifying and preventing fraud.

Financial Effects of Fraud

Fraud can significantly impact an organization's finances, both in terms of direct losses and indirect costs. Dishonest actions lead to direct losses, such as money taken from a bank account or a fraudulent purchase. Conversely, indirect losses are those that arise as a result of the fraud but are not directly connected to it. Indirect losses might

take the form of expenses incurred during the fraud investigation and prosecution and lost clients due to a tarnished reputation. Studies have shown that the economic effects of fraud can be severe and long-lasting (Mary-Jo Kranacher and Riley, 2020).

One of the major financial repercussions of fraud is the direct loss of assets. It involves the misappropriation of money and the theft of cash or other valuables. In a study of U.S. publicly traded companies, the Association of Certified Fraud Examiners (ACFE) discovered that the median loss as a result of fraud was approximately over \$124,000 (Association of Certified Fraud Examiners (ACFE), 2018). However, larger organizations can experience losses in the millions or even billions of dollars. For instance, investors lost about \$10.9 billion due to the Enron hoax (Kravet, 2014).

In addition to direct losses, fraud can also result in indirect costs. These can include investigative costs, court or legal costs, and reputation harm to a company. For example, research by the KPMG Forensic practice found that the average cost of a fraud investigation was \$1.5 million (KPMG, 2016). Furthermore, organizations that have experienced fraud may find it more difficult to secure funding or attract customers, resulting in long-term financial losses (Sliwoski, 2017). Fraud can also have a negative impact on an organization's stock price. A study by the University of South Florida found that companies that were the subject of fraud investigations experienced a decline in stock price, on average, of 10% (Klein, 2002; Lee and Rezaee, 2022). It may cause the company to have a harder time raising funds and cause substantial losses for the shareholders (W Steve Albrecht et al., 2019).

Efficiency of Forensic Accounting in Identifying and Preventing Fraud

According to a KPMG report from 2019, forensic accounting methods like data analysis and investigation strategies helped uncover fraud in over 93% of cases. This demonstrates the usefulness of forensic accounting in spotting fraudulent conduct and the necessity of applying these methods to stop fraud in the future (Frat, Yilmaz, and Smilkova, 2019). A different study by Albrecht, Albrecht, and Zimbelman (2016; 2019) discovered that businesses with forensic accountants on staff were more likely to spot and stop fraud. The paper makes the case that forensic accountants are priceless assets in the battle against fraud because of their specific training and proficiency in spotting fraudulent conduct.

Additionally, a study by Mary-Jo Kranacher and Riley (2020) showed how using cutting-edge technology, such as forensic data analytics, can help forensic accountants spot fraudulent conduct by giving them access to more precise and in-depth information. This boosts the

efficiency of forensic accounting in detecting fraud by making it easier for forensic accountants to spot patterns and abnormalities that may be signs of fraudulent conduct (Nigrini, 2020).

The Current State of Forensic Accounting Education

The discipline of forensic accounting is expanding and is taking on more significance in the contemporary corporate climate. The need for knowledgeable individuals who can spot and look into fraudulent financial behavior has grown as the occurrence of financial fraud keeps rising. These people are now a need for firms to have. More than 70% of firms reported experiencing financial fraud in the previous two years, and at least 60% of those polled reported increasing their expenditure on forensic accounting services (KPMG 2018). Due to the rising need for fraud detection and prevention services, it is clear that forensic accounting education is necessary.

Along with the expanding need for forensic accounting services, forensic accounting education is also developing to meet practitioners' shifting needs. According to Rechtman (2020), the subject of forensic accounting has expanded to include new disciplines like data analytics and digital forensics, which are becoming more and more significant in the current digital era. In addition, forensic accounting education should also emphasize ethics and professional accountability to give practitioners the information and abilities they need to spot and stop unethical behavior (Peterson K Ozili, 2015).

In addition to the aspects above in the current state of forensic accounting education, a recent poll revealed that most American universities and colleges offer forensic accounting courses (KPMG, 2018). However, there is still space for these courses' quality to be raised. According to the poll, only a small number of colleges provide courses that give a thorough overview of the sector, with the bulk of courses concentrating on certain subjects like auditing or fraud investigation. Students need to get a complete education in the field of forensic accounting as a result of the lack of comprehensive courses.

Material and Methodology

The research adopted descriptive methods. Data collection was then conducted through a well-developed survey which included questionnaires and interviews. Surveys are useful in describing and understanding relationships between variables and in exploring the reasons behind a particular phenomenon. It can also be used in collecting a large amount of data.

Description of Survey

The poll aims to learn more about the perceived value of forensic accounting and the need for its inclusion in courses for higher education. It is intended for accounting experts in order to get their opinions on the condition of forensic accounting right now and how it might advance the discipline. Both multiple-choice and open-ended questions will be included in the survey. The main topics of discussion will be the necessity of forensic accounting, increased access to this kind of education, and the benefits of incorporating forensic accounting into higher education curricula. All comments will be treated in confidence.

Sampling Method

To choose participants for this survey, random sampling will be used. A national database of accounting professionals, including members of professional accounting organizations, certified public accountants, and accounting students, will be used to choose a random sample of these individuals. Only individuals who meet the requirement of holding at least a bachelor's degree in accounting or a closely related discipline will be included in the sample because the survey is intended for accounting professionals. In this study, a random sample of 200 participants was selected.

Table 1.0: Size and description of the sample

	Clarification			Frequency	Percentage (%)
Sex			Male	124	62
			Female	76	38
		Total		200	100
Age	More than 25, less than 35			6	3
	More than 35, less than 45			56	28
	Over 45			138	69
		Total		200	100
Level of Education	Doctorate			86	43
	Master			48	24
	Bachelor's			66	33
		Total		200	100
Years of Experience	Students			6	3
	> 5 years			12	6
	Greater than 5 and less than 10			37	18.5
	<10 years and less than 15			40	20

	<15 years			105	52.5
		Total		200	100

Data Collection

A survey was conducted online to gather data. The survey was created and emailed to the participants. The survey was made available for two weeks to give respondents adequate time to complete it.

Results from the survey

Q1: Do you believe forensic accounting should be integrated into higher education curricula?

Q2: Forensic accounting is crucial for businesses.

Q3: Using forensic accountants to evaluate a business for legal purposes, such as shareholders, company liquidation, or any other purpose, results in greater efficacy and improved performance.

Q4: Using forensic accountants in business investigations and judicial proceedings aids in the more effective prosecution of fraud and other financial crime offenders.

Q5: When conducting internal investigations into financial crimes, businesses engage forensic accountants to find those crimes (if any) and fix any flaws in internal monitoring and control systems.

Table 1.1: Results from the survey questions

Survey Question	Arithmetic Mean	SD	Rank	One sample T-test	Df	P-value	Interpretation	Results
1	4.674	0.521	2	84.4	199	0.00	Significant	Strongly Concur
2	4.46	0.643	1	102.3	199	0.00	Significant	Strongly Concur
3	4.187	0.704	4	65.1	199	0.00	Significant	Strongly Concur
4	4.384	0.628	3	72.3	199	0.00	Significant	Strongly Concur
5	4.082	0.831	5	57.4	199	0.00	Significant	Strongly Concur

Results and Discussion

The survey's findings revealed that most participants thought forensic accounting was "very important" or "important" to the field. Most respondents concurred that forensic accounting benefits include giving firms greater financial visibility, improving the accuracy of financial reporting, and assisting in detecting and preventing fraud. Most respondents also concurred that all accounting students should take forensic accounting as a compulsory course.

According to the survey's findings, nearly 98% of respondents indicated that they "strongly agree" or "agree" with the statement that forensic accounting should be included in curricula for higher education. Respondents highlighted that forensic accounting is a crucial skill for accountants and that it should be taught early in accounting school to guarantee that students are appropriately prepared for the professional world.

Conclusion

The research results indicate that accounting professionals strongly support the inclusion of forensic accounting in courses for higher education. The findings also show that forensic accounting's advantages and ability to assist firms in increasing their financial visibility, accuracy, and fraud prevention are clearly understood. Overall, the research paper thoroughly evaluates the significance of forensic accounting, the necessity of incorporating it into higher education courses, and the need for ongoing forensic accounting research using the analyzed survey results. The findings of this research paper can be used to inform decision-makers and stakeholders in the accounting field about the importance of forensic accounting and the need for its integration into higher education curricula.

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