

# Forensic Accounting And Its Importance In Financial Crime Investigations

Georgios Kontogeorgis

Hellenic Open University

Patras, Greece

**Abstract**—Forensic accounting is an innovative field of knowledge that is essential in the business world to ensure the security of transactions and trust in the business world. Economic crime is constantly evolving and dealing with it requires special knowledge and skills.

The research methodology for this article is the literature review. Specifically, articles from reputable scientific journals and professional bodies are examined.

The forensic accountant combines many characteristics and have knowledge in many scientific fields in order to adequately respond to his duties. The main benefits of forensic accounting are the detection and prevention of fraud, documentation in cases under judicial investigation, the calculation of financial losses to individuals in cases of financial scandal, the management of corruption cases in companies and the control of the financial situation of bankrupt companies. The contribution of forensic accounting in divorce cases and in the calculation of marital property is significant.

**Keywords**— *Forensic Accounting, Financial Crime, corporate crime, fraud, corruption*

## I. INTRODUCTION

Forensic accounting is a new branch of accounting that specialises in financial crime and in particular white-collar crime (Augustine E., 2017). The internal audit function has as its main task the prevention of fraud and the provision of information to the management of a company (Kontogeorgis, 2018). Furthermore, dealing with financial crime and fraud cases requires the use of high technology such as the use of artificial intelligence (Kontogeorgis, 2025a). Other common tools and particularly effective in combating fraud are whistleblowers (Kontogeorgis, 2025b). The forensic accountant should be familiar with these methods in order to use them effectively. Financial records,

investigative principles and legislation are essential skills that the forensic accountant must have in order to perform his duties successfully.

The article is divided into research methodology, literature review and conclusions. The literature review includes the subsections forensic accounting

and the subsection forensic accounting and its uses and applications.

## II. METHODOLOGY

The research methodology of this article is based on literature review, focusing on the analysis of publications from respected scientific journals and authoritative professional organizations. In addition, there are limited articles dealing with the subject of forensic accounting, which makes it difficult to collect bibliographic references.

## III. LITERATURE REVIEW

### A. *Forensic accounting – skills of a forensic accountant*

The term forensic is not related to death, but means compliance with court laws and procedures. Furthermore, the key attributes that forensic accountants should possess are an understanding of forensic procedures, knowledge of conducting investigations, financial analysis skills and accounting rules (Institute of Certified Forensic Accountants, 2025). According to the Association of Certified Fraud Examiners, forensic accounting is the application of accounting, auditing and financial knowledge to the collection, presentation and analysis of data for legal use (Dewayanto, 2023). Forensic accounting deals with issues such as (Miller, 2022):

- Loss calculation
- Business valuation
- Rules of the profession
- Legal issues of companies
- Fraud
- Valuation of business assets
- Valuation of contracts

Forensic accounting uses a number of techniques to achieve its objectives. Some techniques of forensic accounting are the following (Vyas, 2023):

- Data mining: The data collection process combines information technologies to identify dysfunctions and correlations in a data set. Based on the analysis of the data, relevant predictions can be made.
- Continuous control: Continuous monitoring is one of the great benefits of forensic accounting. Continuous monitoring is a key tool in detecting and preventing fraud. Control can be applied to processes, departments and functions.

- Ratio analysis: The analysis of indicators is a valuable tool for detecting signs of fraud. In particular, financial indicators such as liquidity analysis and utility analysis are used. In addition, the ratios can be compared with those of similar companies. This allows significant deviations to be identified and the causes of these deviations to be investigated.
- Computer Assisted Auditing Tools (CAATs): CAATs are of two types. The first is data extraction software and the second is financial analysis software. The data extraction software calculates accounting entries in accounts such as creditors, expenses, payroll and purchases, and allows you to check for overpayments. The financial analysis software produces indicators such as cost versus revenue to assess the efficiency and effectiveness of the business.
- Theory of Relative Size Factor (RSF): This examines any excesses over specified numerical limits. The purpose of the check is to determine whether the errors are real or the result of fraud.
- Benford's Law: It is a statistical method that identifies areas where fraud may occur. This method does not detect the existence of fraud, but finds areas where fraud may be present.

From all of the above it is clear that the profession of forensic accountant is highly demanding and specialised. The table below summarises the advantages and disadvantages of choosing to become a forensic accountant (Alshurafat, Al Shbail and Mansour, 2021):

Advantages	Disadvantages
Multi-level knowledge of forensic accounting	Lack of standards and professional rules
The importance of the profession	Free to enter and lacking minimum qualifications
The growing demand and necessity for business	Inconsistent curricula relating to forensic accounting
New professional perspectives	Lack of reputable scientific journals dealing with the scientific field
The reduction of fraud	Lack of high-quality trainers relevant to the subject of forensic accounting
	Non-recognition of the importance of the profession by society

The difference between an accountant and a forensic accountant is obvious and should be emphasised. The accountant must have a good knowledge of accounting techniques. The forensic accountant is not limited to accounting knowledge but should also have knowledge of auditing, technology, law, human resource management and statistics (Dewayanto, 2023). The Institute of Certified Forensic Accountants

(2025) believes that forensic accountants should have the following characteristics:

- Be detail-oriented in researching the data
- To meticulously analyze the data at their disposal.
- To have creative thinking.
- To have a photographic memory of past unpleasant events and to do everything to prevent them.
- To have excellent knowledge of technology and also have communication skills.
- To be well aware of the business operation and its rules.

#### B. Importance and implications of forensic accounting

The main applications of forensic accountants concern the following fields (Silverstone, Pedneault, Sheetz and Rudewicz, 2012):

- Business failures, liquidity and restructuring: Forensic accountants can act on behalf of debtors to determine the liabilities of insolvent companies, identify hidden assets, examine pre-bankruptcy financial transactions and investigate general company liquidity issues.
- Computer analysis of forensic data: Forensic accountants collect and retrieve valuable information from information systems to assist in the prosecution of financial crime suspects. Valuable information can be found on computer hard drives, network hard drives and more modern data systems such as cloud systems.
- Economic loss calculation: Forensic accountants gather the necessary information and carry out the assessment of the economic damage, which is a prerequisite for an interested party to file a lawsuit. Forensic accountants are often called upon by the judicial authorities to support allegations against or in favor of an individual regarding financial loss to a company.
- Family law: The forensic accountant has an important role to play in a divorce, as he or she calculates a couple's contribution to the family income and then proposes the division of family property in the event of divorce and the existence of children. Forensic accountants are particularly useful in valuing businesses and dividing their value between former spouses.
- Manipulation of financial statements: Forensic accountants play an important role in auditing financial statements. Specifically, whether the balance sheet, profit and loss account, cash flow statement and other financial statements give a true and fair view of a company.
- Fraud detection and steps after fraud detection: Forensic accountants help

companies prevent fraud. They also help companies put in place better safeguards to prevent fraud. Forensic accountants can identify the risk points and in case of fraud they collect the necessary documentation.

- Business valuation: Forensic accountants value companies in financial disputes between shareholders. Moreover, they value companies in cases of merger and acquisition to determine their fair value.

The establishment of an accounting department in the public sector could have a positive impact on the fight against fraud in the public sector. This department could work in parallel with other preventive measures to prevent fraud, such as the establishment of a whistleblower procedure, internal audit and a whistleblower line (Dewayanto, 2023). Finally, forensic accounting can play an important role in collecting evidence in cases of financial scandals in the public sector.

#### IV.CONCLUSIONS

The importance of forensic accounting is great for the business world and for the economy of countries. Nevertheless, there is a lack of knowledge of the importance of forensic accounting. For this purpose, it would be very useful to create undergraduate or postgraduate courses (Dewayanto, 2023). The forensic accountant should have knowledge of many different disciplines, such as law, accounting, business valuation, technology, statistics, modern forms of control, principles of gathering investigative material and auditing.

Forensic accounting can prove valuable to a business in many situations (Miller, 2022). The forensic accountant can effectively assist in cases such as fraud, business valuation, company law enforcement issues, loss assessment in a business, cases of fraudulent transactions and financial data, financial and ratio analysis. Additionally, the forensic accountant can prove valuable to the judicial authorities in cases of legal disputes between partners within a company. Furthermore, the forensic accountant has knowledge of gathering investigative material, legislation and is often an expert in legal disputes. Moreover, the forensic accountant is also used in divorce cases to value the assets created during the marriage. After the above calculation, the forensic accountant proposes the assets that each spouse should receive.

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