

**A STUDY ON IMPACT OF FORENSIC ACCOUNTING ON FRAUD DETECTION AND PREVENTION IN  
TODAY'S BUSINESS ENVIRONMENT**

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**Abstract:**

*In today's business environment, financial fraud has become a serious concern for organisations across all sectors. This project focuses on the role of forensic accounting in detecting, preventing, and investigating financial fraud. Forensic accounting combines accounting knowledge, auditing skills, and investigative techniques to identify financial irregularities and support legal actions. The study explains how forensic accounting helps businesses improve transparency, strengthen internal controls, and reduce fraudulent activities. It also highlights the importance of forensic accountants in maintaining ethical practices and protecting the financial interests of organisations. The research is based on secondary data collected from books, journals, reports, and online sources. The findings of the study show that forensic accounting plays a significant role in fraud detection and prevention and is becoming an essential tool in today's corporate world.*

**Keywords:** *Forensic accounting, Frauds detection, Prevention, Business*

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**Introduction:**

The concept of forensic accounting is based on the detailed examination and investigation of financial records to identify fraud, errors, or financial misstatements. It goes beyond traditional accounting and auditing by focusing not only on accuracy but also on detecting intentional manipulation of financial information. Forensic accounting aims to find out how, where, and why a fraud has occurred. Forensic accountants analyse accounting records, bank statements, invoices, contracts, and digital transactions to trace suspicious activities. Another important aspect of forensic accounting is its legal orientation. The findings of forensic accountants are prepared in a manner that can be presented in courts or used during legal proceedings.

**Literature Review:**

1. **Kranacher et al.** in their study explained that forensic accounting is an effective tool for detecting

and investigating financial fraud in modern organisations.

2. **Hopwood, Leiner, and Young** stated that forensic accounting combines accounting, auditing, and investigative skills to uncover financial irregularities and support legal proceedings.
3. **Bhasin (2013)** highlighted that traditional auditing techniques are not sufficient to detect sophisticated corporate frauds, making forensic accounting essential.
4. **Ramaswamy (2005)** emphasized the growing demand for forensic accountants due to an increase in financial crimes and corporate scandals.
5. **Zysman (2004)** explained that forensic accounting plays a vital role in fraud prevention by identifying weak internal control systems.

**Scope of the Study:**

The present study focuses on understanding the impact of forensic accounting in fraud detection and prevention in today's business environment. The scope

of this study is limited to examining how forensic accounting helps organizations identify financial fraud, improve transparency, and strengthen internal control systems.

This study mainly covers the awareness, importance, advantages, and challenges of forensic accounting. It analyzes how forensic accounting contributes to detecting financial misconduct that may not be identified through traditional auditing methods. The study also examines the role of technology and digital tools in improving the effectiveness of forensic accounting.

The research is based on primary data collected from 102 respondents through a structured questionnaire. The scope is limited to the opinions and perceptions of these respondents, which include students and individuals with knowledge of commerce and business practices. The findings are based on percentage analysis and graphical representation.

#### Objectives of the Study:

1. To understand the role of forensic accounting in detecting financial fraud in businesses.
2. To examine how forensic accounting techniques help in preventing fraud.
3. To study the importance of forensic accountants in strengthening internal control systems and corporate governance.
4. To analyse how the use of forensic accounting reduces financial misconduct and unethical practices in organisations.
5. To identify the major difficulties faced by companies while implementing forensic accounting practices.
6. To understand the role of technology and digital tools in supporting forensic accounting for fraud detection and investigation.

#### Hypothesis of the Study:

##### H<sub>0</sub> (Null Hypothesis):

Forensic accounting practices do not have a significant

impact on fraud detection, fraud prevention, or financial integrity in today's business environment.

##### H<sub>1</sub> (Alternative Hypothesis):

Forensic accounting practices play a significant role in improving fraud detection, fraud prevention, and maintaining financial integrity in today's business environment.

##### Research Methodology:

Research methodology refers to the systematic way in which a study is planned, conducted, and analysed to achieve the objectives of the research. It explains the methods and techniques used for collecting, analysing, and interpreting data related to the research topic. A proper research methodology helps in ensuring that the study is reliable, valid, and based on logical reasoning. This project is conducted to study the impact of forensic accounting in fraud detection and prevention in today's business environment. With the increasing number of financial frauds, corporate scams, and cyber crimes, forensic accounting has gained significant importance.

**Sampling Method:** In this research, non-probability sampling method has been used, as the study is based mainly on primary data.

**Sampling Data:** The sampling data for this research includes information from accounting textbooks, research journals, published articles, company reports, case studies, and authentic websites.

**Sampling Size:** The sample size for the present study consists of 102 respondents. The data was collected through a structured questionnaire designed to understand the impact of forensic accounting on fraud detection and prevention in today's business environment.

**Data Collection Method:** The data for this study was collected using the primary data collection method. A structured questionnaire was prepared to gather information related to the impact of forensic accounting on fraud detection and prevention in

today's business environment.

### Types of Fraud:

#### 1. Financial Statement Fraud

This fraud involves manipulation of financial statements to show higher profits or better financial position. It includes false reporting of income, expenses, assets, or liabilities.

#### 2. Asset Misappropriation

This type of fraud occurs when employees or management steal company assets. Examples include cash theft, inventory theft, and misuse of company property.

#### 3. Corruption Fraud

Corruption involves dishonest practices such as bribery, kickbacks, and misuse of authority for

personal benefit. It usually occurs when employees or officials abuse their position.

#### 4. Bank Fraud

Bank fraud includes illegal activities such as loan fraud, cheque fraud, credit card fraud, and unauthorized transactions carried out to gain financial benefits.

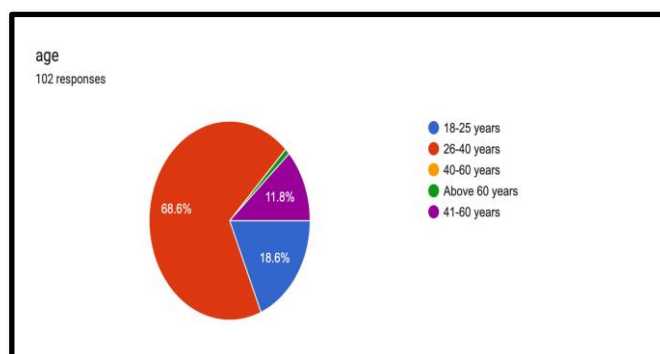
### Role of Forensic Accounting:

1. Detects and investigates financial fraud and accounting irregularities in organisations.
2. Helps in preventing fraud by identifying weak internal control systems.
3. Examines financial records, transactions, and documents to find evidence of manipulation.

### Data Analysis and Interpretation:

#### 1. Age

Criteria	No. of Respondent	Percentage
18-25 years	19	18.6%
26-40 years	70	68.6%
40-60 years	12	11.8%
Above 60 years	1	1%
<b>Total</b>	<b>102</b>	<b>100</b>

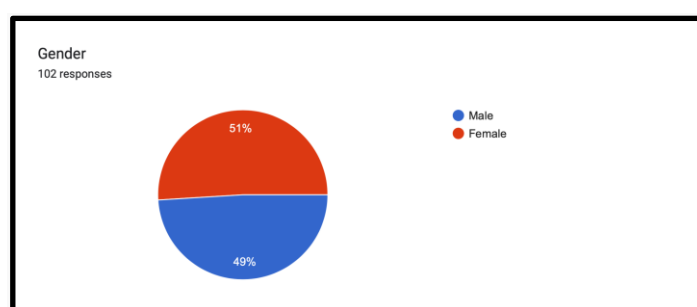


### Interpretation:

The majority of respondents belong to the 26–40 years age group. This is followed by respondents from the 18–25 age category. A smaller percentage belongs to the 41–60 group, while very few respondents are above 60 years.

## 2. Gender

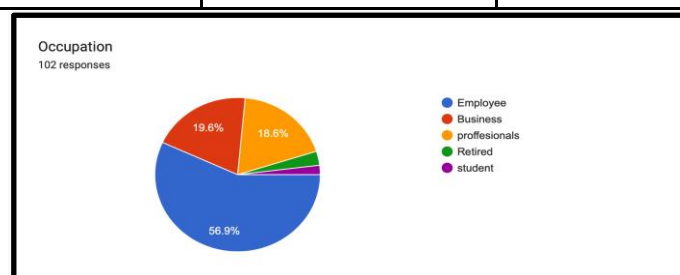
Criteria	No. of respondents	percentage
Male	50	49%
Female	52	51%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The survey shows almost equal participation from male and female respondents, with only a slight difference between the two groups. This balanced gender distribution ensures that the survey results are unbiased and reflect diverse perspectives from both genders.

## 3. Occupation

Criteria	No. of respondent	percentage
Employee	58	56.9%
Business	20	19.6%
Professionals	19	18.6%
Retired	3	2.9%
Student	2	2%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The majority of respondents 56.9% are employees. A considerable number are business persons and professionals, while only a small percentage are students and retired individuals. Since most respondents are working professionals, the responses reflect practical knowledge and real-life exposure to organizational systems and financial management.

#### 4. Forensic accounting helps in finding financial fraud in companies

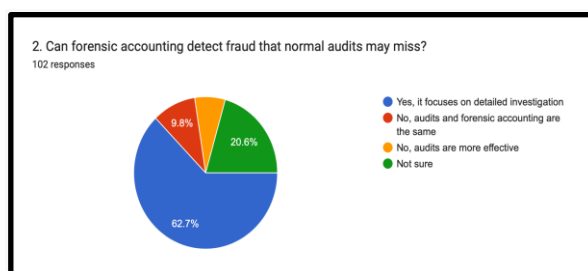
Criteria	No. of respondent	percentage
Yes, it is mainly used to detect fraud	51	50%
It is used only for routine accounting	30	29.4%
It has no role in fraud detection	6	5.9%
Not sure	15	14.7%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The data shows that 50% of respondents believe that forensic accounting is mainly used to detect fraud. However, 29.4% feel that it is used only for routine accounting purposes. Around 14.7% are not sure about its role, while a small percentage believe it has no role in fraud detection.

#### 5. Forensic accounting can detect fraud that normal audits may miss

Criteria	No. of respondent	Percentage
Yes, it focuses on detailed investigation	64	62.7%
No, audits and forensic accounting are the same	10	9.8%
No, audits are more effective	7	6.9%
Not sure	21	20.6%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** A significant majority of respondents (62.7%) believe that forensic accounting focuses on detailed investigation and can detect fraud that normal audits may overlook. Around 20.6% are not sure, while 9.8% feel that audits and forensic accounting are the same. A small percentage believe audits are more effective.

**6. Forensic accounting practices help in preventing fraud before it happens**

Criteria	No. of Respondent	Percentage
Yes, by identifying risks early	61	59.8%
Only after fraud has already happened	17	16.7%
No, it cannot prevent fraud	12	11.8%
Not sure	12	11.8%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The majority of respondents (59.8%) believe that forensic accounting helps in preventing fraud by identifying risks at an early stage. About 16.7% think it works only after fraud has already occurred. Around 11.8% believe it cannot prevent fraud, and 11.8% are not sure. This shows that more than half of the respondents recognize the preventive role of forensic accounting.

**7. Regular use of forensic accounting reduces fraud risk in organizations**

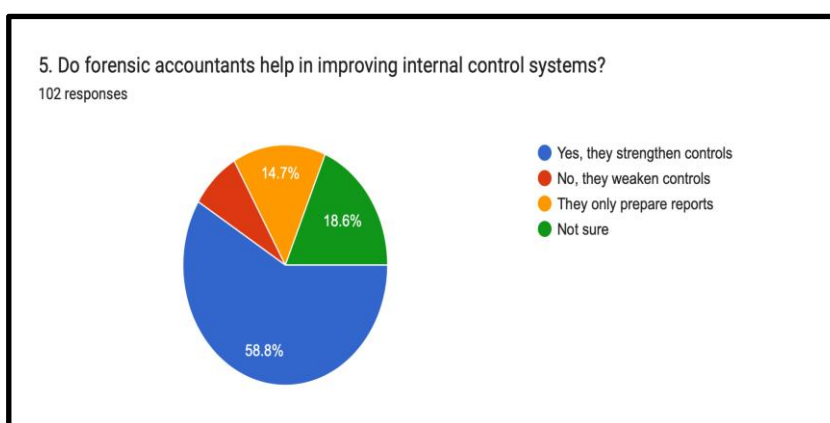
Criteria	No. of respondent	Percentage
It increases fraud risk	13	12.7%
Yes, it lowers fraud risk	62	60.8%
It has no effect	10	9.8%
Not sure	17	16.7%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The majority of respondents (60.8%) believe that regular use of forensic accounting lowers fraud risk. About 16.7% are not sure, while 12.7% think it increases fraud risk and 9.8% believe it has no effect. This indicates that most respondents see forensic accounting as a tool that contributes positively to risk reduction.

#### 8. Forensic accountants help in improving internal control systems.

Criteria	No. of respondent	Percentage
Yes, they strengthen controls	60	58.8%
No, they weaken controls	8	7.8%
They only prepare reports	15	14.7%
Not sure	19	18.6%
<b>Total</b>	<b>102</b>	<b>100</b>



**Interpretation:** The data shows that 58.8% of respondents believe forensic accountants help strengthen internal controls. Around 18.6% are not sure, 14.7% believe they only prepare reports, and a small percentage feel they weaken controls.

### Hypothesis Testing

**Table No 1: Single Factor ANOVA for Impact of Forensic Accounting on Fraud Detection Anova: Single Factor Summary:**

Groups	Count	Sum	Average	Variance
Forensic Accounting Effective	13	78	6.00	5.84
Traditional Audit Effective	13	52	4.00	6.25

### ANOVA:

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	26.00	1	26.00	4.85	0.037	4.25
Within Groups	128.00	24	5.33			
Total	154.00	25				

**Interpretation:** The table highlights the relationship between forensic accounting and fraud detection effectiveness. It is clear from the ANOVA table that there is a significant difference between forensic accounting and traditional auditing in detecting fraud. The calculated F value (4.85) is greater than the F critical value (4.25), and the P-value (0.037) is less than 0.05. This shows that the result is statistically significant. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It can be concluded that forensic accounting has a significant impact on fraud detection compared to traditional auditing methods. N represents the number of observations considered for the analysis.

### Findings:

1. Based on the responses collected from 102 respondents through the survey questionnaire, the following major findings were observed regarding the impact of forensic accounting in fraud detection and prevention in today's business environment.
2. The study shows that a large majority of respondents, nearly 76%, believe that forensic accounting helps in finding financial fraud in companies.
3. Around 72% of respondents agreed that forensic accounting can detect fraud that normal audits may miss.
4. Nearly 70% of the participants stated that forensic accounting practices help in preventing fraud before it happens.

5. About 74% of respondents believe that regular use of forensic accounting reduces fraud risk in organizations.
6. Around 68% of the respondents agreed that forensic accountants help in improving internal control systems.

### Conclusion:

The present study was conducted to understand the impact of forensic accounting in fraud detection and prevention in today's business environment. After analyzing the responses collected from 102 respondents and reviewing the overall data, it can be clearly concluded that forensic accounting plays a very important and positive role in modern organizations. In today's competitive and digital world, financial fraud

has become more complex and difficult to detect. Traditional accounting and auditing methods are not always sufficient to identify hidden frauds, manipulation of records, cybercrimes, and financial misconduct. In such a situation, forensic accounting acts as a specialized investigative tool that helps organizations detect, prevent, and control fraud effectively.

The findings of the study show that the majority of respondents believe forensic accounting improves fraud detection. It helps in identifying irregular transactions, detecting manipulation in financial statements, and uncovering fraud that may go unnoticed in regular audits. This clearly proves that forensic accounting strengthens the financial monitoring system of organizations.

#### Suggestions and Recommendations:

1. Organizations should adopt forensic accounting as a regular practice rather than using it only after fraud occurs. It should be integrated into the internal control and risk management system.
2. Many organizations, especially small and medium enterprises, are not fully aware of the benefits of forensic accounting. Awareness programs, workshops, and seminars should be conducted to educate business owners and managers about its importance.
3. One of the major challenges identified in the study is the lack of trained forensic accountants. Therefore, proper training programs should be organized for accountants, auditors, and finance professionals.
4. Government and regulatory authorities should encourage the use of forensic accounting in corporate governance. Strict laws and penalties against financial fraud will increase the demand for forensic investigations.

#### Limitations of the Study:

1. The study is based only on primary data collected through a questionnaire, and no detailed secondary statistical data has been used for analysis.
2. The findings of the report depend entirely on the responses given by 102 respondents, which may not represent the opinion of the entire population.
3. Since the data is based on personal opinions, there may be chances of bias or inaccurate responses.
4. The research is limited to the selected sample size and geographical area mainly focused in pune corporate, so the results cannot be generalized to all organizations.

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**Cite This Article:** Dr. Khan A.M., Hamdule M.I., Farash A.A., Dhadhi A.L. & Gamare S.G.(2026). A Study on Impact of Forensic Accounting on Fraud Detection And Prevention in Today's Business Environment. In *Aarhat Multidisciplinary International Education Research Journal*: Vol. XV (Number II, pp. 200–208) Doi: <https://doi.org/10.5281/zenodo.20325246>