

CONTEMPORARY ISSUES IN AUDIT MANAGEMENT AND FORENSIC ACCOUNTING

Edited by Simon Grima, Engin Boztepe
and Peter J. Baldacchino

CONTEMPORARY STUDIES IN
ECONOMIC AND FINANCIAL ANALYSIS

VOLUME 102

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FORENSIC ACCOUNTING**

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Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2020

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83867-636-0 (Print)

ISBN: 978-1-83867-635-3 (Online)

ISBN: 978-1-83867-637-7 (Epub)

ISSN: 1569-3759 (Series)



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INTRODUCTION

The Emerald book series, **Contemporary Issues in Economic and Financial Analysis CSEF 102**, includes studies by various academics on **Contemporary Issues in Audit Management and Forensic Accounting**.

Recently, financial crimes have increased in many regions of the world. Considering that these crimes, which affect many countries around the world economically, occur usually due to accounting fraud, more sensitive and effective approaches to accounting fraud and corruption have started to come up. In this context, regulations have been put into practice in many countries for measures to be taken against fraud and corruption.

It is not possible to take measures against and fight financial crimes by using old traditional methods. A specialized field called forensic accounting is an effective tool to prevent these crimes. The aim of this book is to explain the extent and characteristics of forensic accounting, which has been practiced for many years but not yet internationally regulated.

The development of world markets, increase of integration, and the intense competition environments in the digital age cause panic in companies that are operating in the capital market. Companies may resort to irregularities such as fraud, corruption, and manipulation in order to increase their market share. In addition to this, the economic crisis in recent years, instabilities in the exchange rates, and accounting and auditing scandals put forth the inadequacies of the current system and lead to the emergence of new concepts. One of these concepts is forensic accounting.

Forensic accounting is a field that tries to reach the truth on an issue that may cause a juridical problem, creating its own research, questioning and analysis methods from the methods, and techniques of psychology, criminology and other disciplines. Forensic accounting plays an important role in determining the reliability of the information that is needed in businesses by being inspired from many fields and in particular from accounting and law. It is also important to prevent and dissuade from fraud and corruption and in judicial processes on fraud and corruption.

Moreover, forensic accounting, which is one of the fields of forensic science, has become an important field in determining fraudulent acts that causes the victimization of many investors and by developing approaches that may prevent these acts. Forensic accounting takes its place in literature by being defined as a discipline that uses researcher's logic and adapts the accounting and business management data with policies and rules of law to the social and judicial problems.

Moreover, the forensic accounting profession has shown many significant developments in many countries, especially in the USA in the 1980s, and the number

of accountants specializing in forensic accounting has since then increased. The forensic accounting profession has become a field of expertise in accounting and in its true sense has accommodated itself to the developing market economy and legislative regulations. Forensic accounting has shown rapid development with the help of the changing economic environment, changing needs of accountancy and limited number of existing specialties. Especially, the enactment of Sarbanes-Oxley law in the year 2002 by US Securities and Exchange Commission (SEC) is the turning point of the profession.

The later published rules and regulations of the commission strengthened the place of the forensic accountant in the overall profession by using the term “forensic accountant.” The SEC has stated that some of the services provided by the audit companies are within the scope of services provided by forensic accounting and therefore it is necessary that a forensic accountant provides the existing services. At this point, the importance given to forensic accounting has increased notably and many audit companies widened their services in a way that it also involves the forensic accounting practices. Currently, since the acceptance of the fact that this profession is a necessity, the education of forensic accounting is provided in undergraduate and graduate programs in the USA and Europe as a separate field of study.

Despite the broad scope and importance, publications related to forensic accounting are limited. Therefore, the studies in this book combine different studies of forensic accounting in a single book with a mix of discussion-based studies and empirical research studies aimed at understanding particular aspects of Forensic Accounting and Audit Management.

The book starts with a study on the relationship among personality traits and students’ cheating behavior using the five-factor personality model and the fraud triangle factors. This takes us to Chapter 2, which relates to a study on the effects of big data in forensic accounting practices and education.

We then go to Chapter 3, which relates to an evaluation of the perception of the students and the certified public accountants on forensic accounting education. Then, the authors of Chapter 4 lay out an interesting case study on the Borsa Istanbul Bank Index (BIST) and financial information manipulation and its effect on investor demands.

The Chapter 6, shed light on the current situation and prospects of the profession of judicial advisory by lawyers in Turkey, insurance fraud in Turkey, and the current gap between fraud and deterrent measures taken by a company to lower the risk of fraud.

Then, the authors in Chapter 8 use the case of Turkey to examine a number of important determinants of risk appetite and tolerance, including gender, education, and knowledge of financial services and loss aversion. In Chapter 9, the author lays out an empirical study using the fraud diamond theory perspective, on the manufacturing sector companies listed on the Borsa Istanbul.

In Chapter 10, the authors lay out a study on the detection of accounting frauds using the rule based expert systems within the scope of forensic accounting. Then, in Chapter 11, the authors apply the ‘Beneish model’ on financial

statement manipulation to determine the financial indicators of possible financial statement manipulation. In Chapter 12, we find an evaluation of the criteria for the selection and change of the independent audit firm using the Analytical Hierarchy Process method.

The Forensic Accounting profession and the process of its development in the world is the topic of Chapter 13. In Chapter 14, the authors then lay out a literature review on Forensic accounting and Fraud Audit in Turkey between 2008 and 2018. The views on Forensic Accountant by Turkish accounting academics are studied in Chapter 15. Chapter 16 lays out a literature review on financial crimes. Chapter 17 delves into social auditing and its applicability to Maltese co-operatives and Chapter 18 challenges the conventional theoretical approach of the 'Three Lines of Defence' Model adopted by most of the Maltese credit institutions.