

Forensic accounting as a solution to manipulative accounting of SME's in Bosnia and Herzegovina

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Accounting reports are the main certificate of financial position, as well as business and monetary success of the company. Manipulation of accounting reports include fictitious or incorrect processing of the data – all with the aim to camouflage the true picture of firm's financial health. Forensic accounting as a special accounting practice will be scope of this study. This study was conducted on the Bosnian market and targeted small and medium enterprises with less than 250 employees.

Forensic Accounting In the business world, a new form of accounting is even more present, which is called the forensic accounting. The most common reasons for the development of forensic accounting are the disadvantages of specialized knowledge and experience, which are essential in forensic examination. Forensic accountants are striving to detect and resolve financial and accounting problems in the operations of the company, whether as a result of lack of professionalism and ethics, applicable accounting, audit, investigative and thinking skills (Koletnik & Wheeler, 2008). So, in a forensic accounting a forensic accountant is hired, who in a professional manner determines the actual state of the subject. Forensic accounting is a special type of financial knowledge which aims to detect and prevent fraud and other crimes (Koletnik & Wheeler, 2008). During the regular work, forensic accountants have to prove the integrity of their work. When we talk about the forensic accounting, it should be emphasized that its concept is very complex and thorough and that the accountants in their professional and independent judgment, forming a presentation at a very high level of reliability in such extent that it could be used as evidence in legal proceedings conducted, judicial proceedings, etc. Based on this, we can conclude that forensic accounting is accounting that is appropriate for public examinations, because it implies a high degree of security. As a first determinant of a forensic accounting we can point out analysis, which elaborates and explains the cause and consequences of certain events, including detection of fraud and its consequences.

The main objective of forensic accounting is to detect fraud, embezzlement and other criminal activities, and to provide judicial support through financial expertise, consulting and other services. The main actors in the forensic accounting are forensic accountants who possess adequate knowledge and skills to prevent, detect and prove financial frauds, which are not expressed at accountants, auditors, representatives of the government and judicial authorities. The role of forensic accounting is to give – on the basis of credible evidence – an independent and impartial opinion on the causes resulting from fraud, to analyze the causes and consequences of fraud to financial reporting, to detect and analyze untrue and unfair financial reporting, to recommend improving the system for the detection of fraud, and similar. Of course, workers in the forensic accounting should have high moral and professional qualities and technical requirements to be able to apply their knowledge more efficiently and effectively. Not reducing the need for forensic accounting in the developed economies as well, it is certainly much more important in transition economies since the transition is considered as an activity that is subject to all sorts of manipulation and fraud. Manipulation and manipulators are almost

always, unfortunately for investors, faster than the regulatory authorities. Repairing or mitigating of the situation mainly comes in the end which is not good because losses are huge. All further reforms of regulatory bodies, training of accountants and audit efforts are focused on strengthening confidence in the accounting profession and the financial statements, the decline in the cost of capital, and the stabilization of financial markets where the manipulation would be fetched to a minimum. According to this study, the forensic accounting gives satisfactory results in the discovery of significantly wrongly presented information in the financial statements, caused by frauds. So, the hypothesis is accepted. There is a need for forensic accounting that can investigate fraud in details, and eventually act in its discovery. The way in which the transition is made and the current state of the economy in Bosnia and Herzegovina require the quick incorporation of this accounting discipline into legislation, and of course that it is urgently applied to the statements of current operations as well as those in the previous years.