

# John mclane research paper

Business, Company



## **Accounting 101**

### Deciding on Accounting Major

If I had to decide on the accounting major to pursue, I would choose to be a forensic accountant. This major of accounting deals with the investigation of potential frauds within a company, or prevention of fraudulent activities from occurring. Forensic accountants are also commonly known as fraud investigators, investigative accountants, forensic auditors, or fraud auditors. Of all possible accounting majors, this one attracts me the most due to a number of reasons, including the history of this major, the variety of potential employment places, the nature of the job itself, and the knowledge and skills commonly associated with forensic accountant job activities.

First of all, the profession of the forensic accountant has a very interesting history. To begin with, this is one of the oldest accounting majors, dating back to the days of ancient Egyptians. At that time, the specially hired scribes were charged with accounting for the Pharaoh' gold, which also involved detection and prevention of related frauds. To name a more recent example, the forensic accountants helped the Internal Revenue Service to indict one of the most famous gangsters of the 20th century, Al Capone, for tax evasion. In our days, the major of the forensic accountant has received even more attention due to the cases of the high-profile financial crimes, terrorism, and corporate fraud cases. The examples of such cases include the Enron scandal of 2001, the WorldCom and Adelphia Communications cases of 2002, or the American Insurance Group scandal of 2005. In the mentioned situations, forensic accountants were hired by the federal government to determine impartially the extent and schemes of the

fraudulent activities practiced by top management, accountants, and the related companies. Also, after 9/11 attacks, the investigations were done on how the terrorists could transfer money through the international banking system to fund their activities, and on possible prevention measures to avoid future threats. So, the history of this major makes me feel that the importance of forensic accountant job has been only growing with time passing.

Second, in our days forensic accountants are widely demanded by a number of different firms and institutions. Such specialists are increasingly hired by private sector enterprises – such as accounting firms, lawyers, or private investigation firms, which employ forensic accounting practices to address a wide variety of litigation and investigative needs, as well as large corporations or banks, which aim to address legal and fraud-related issues internally. Moreover, governmental institutions, regulatory bodies, and agencies – such as Federal Bureau of Investigations, Internal Revenue Service, as well as courts, state police forces, and local police departments – usually hire forensic accounting specialists to participate in law-enforcement activities. Therefore, in choosing this major, I am attracted by high demand and wide employment possibilities offered by forensic accounting specialization.

Third, bearing the name of ‘ forensic’, which means ‘ related to the application of scientific knowledge to assist in solving a real-life problem’, this major is inevitably connected with the investigation. Of course, usually a forensic accountant won’t work at a crime scene researching the fingerprints and blood samples, as a FBI agent in a Hollywood movie does. However,

forensic accountants work with another important type of crimes, called ‘ crimes against property,’ and this job requires the ability to derive and process information from a number of different sources. First of all, a forensic accountant has to derive the initial data for investigation into alleged fraud from available information sources: financial statements, internal databases, bank statements, credit statements, and other types of records (journals, ledgers, memos, telephone books, spreadsheets, and emails). In addition, often extra information needs to be obtained through interviews with the company management and other involved persons; thus, a forensic accountant has to obtain and compare the individual stories about the processes involving the potential fraud. Further, the gathered information is analyzed and evaluated to define the nature of fraud and possible remedies (actual income of a person or cash flows of the company, net value of a business, potential sources and schemes of fraud, the fraud initiator, the circle of persons involved into commitment of fraudulent activity, directions of money outflow, and the amount that could be potentially recovered). Finally, the investigation outcomes are summarized in a report that outlines the taken course of actions and the uncovered findings. Furthermore, the forensic accountant may be asked to act as an expert witness in court, providing a testimony upon the researched case, as well as presenting the collected evidence. Throughout the investigation, the situations may also arise when financial data has been destroyed, intentionally changed, or hidden. Therefore, the forensic accountant should have the necessary skills and expertise to recover or reconstruct the needed information, in order to derive unbiased conclusions on the case and to detect whether the

fraudulent actions were in place, as well as to gather the needed evidence to be presented in the court. So, aiming to become a forensic accountant, I want to be a real professional who can look beyond the numbers and understand the business reality behind the situation.

Fourth, in performing the investigation the forensic accountant usually relies upon his deep expertise in a number of related fields. A person, who is pursuing this major, needs to achieve a high degree of proficiency in accounting and auditing, obtained both through professional education and by means of working in a forensic practice at an accounting firm or in a law-enforcement capacity. Also, such person should be proficient in the latest accounting standards and procedures, as well as be knowledgeable about various financial reporting standards and different monetary units applied internationally, in order to be able to compare the financial statements across countries, subsidiaries, and jurisdictions. Moreover, forensic accountants have to perform financial audits and understand the internal control systems to be able to provide relevant recommendation on fraud prevention. They should also be knowledgeable about current Federal and State laws and regulations, as well as be able to approve or disprove the suspected fraudulent activity. In addition, the growing process automation and increasing use of IT in finance and business impose the necessity for forensic accountants to possess the knowledge and expertise for working confidently with spreadsheets, databases, financial models, and other related IT tools. Last but not least, the necessity to obtain data through interviews and to investigate into people's lifestyle makes it important for forensic accounting specialists to be familiar with sociology and psychology.

Therefore, this major attracts me by a possibility to become a seasoned all-round specialist.

Fifth, on top of the expertise, the major of a forensic accountant requires also a great deal of analytic work. With the complexity of financial processes and company hierarchies growing, this profession now calls for more than just auditing skills and problem-solving abilities. Typical tasks for a forensic accountant may include calculating economic losses, summarizing a big number of transactions, selecting appropriate discount rates to perform net present value calculation, doing a regression analysis or scenario analysis, working with databases, validating economic models, analyzing cash flows, and tracing assets. For example, when having a task to reveal potentially hidden income, the forensic accountant would try to understand how the money flows in, who receives it, which internal control are imposed, and whether the owner could override such controls. Also, the entries reflecting company expenses would be reviewed to check for large, untimely, or otherwise inadequate amounts. Often, the statistics on the industry could be reviewed to provide a basis for comparison. Moreover, a person at the forensic accountant job would need to be ready at times to solve unstructured problems, think like a potential fraud initiator, and synthesize the results obtained through discovery and analysis. All these activities require a forensic accountant to think beyond the box and to be able to consider the case from different points of view, while sorting, analyzing, and comparing the data to arrive at a logical conclusion. In this respect, the forensic accounting major attracts me by the possibility to apply my analytic skills in practice, to learn to think broadly, as well as to delve into details

when needed.

In addition, apart from analytical work, this major foresees a lot of work with people, so being a forensic accountant provides outstanding possibilities for applying and polishing one's communication skills. On the one hand, a forensic accountant should feel confident while communicating with people standing at all stages of the organizational ladder – from senior management, company owners, and shareholders (while getting the task, obtaining information, and reporting the results) to accountants and common employees (while gathering information through interviews). Interpersonal skills prove very useful during such meetings, as they help the forensic accounting specialist to listen effectively, obtain an understanding of important facts, people, and issues, as well as track potential inadequate behavior or deceitful intentions of the people interviewed. On the other hand, it is usually vital for a forensic accountant to have a working relationship with the investigating and prosecuting agencies involved into the case. Finally, while preparing a report on investigation findings for company management, or while testifying in court, a forensic accountant should be able to outline the gathered information in comprehensive terms and in an impartial manner, clearly and concisely, to be easily understood by even the people who have no specific accounting knowledge. Thus, I feel that the major of the forensic accountant would allow me to apply my communication skills and improve them even more while learning to solve real-life issues effectively.

So, to sum up, there are a number of reasons why I want to choose the forensic accountant major. Having been marked as an important

specialization in the course of the history, this major remains popular and widely demanded in our days. Moreover, I am attracted by the nature of forensic accounting job, which mostly involves investigation into potential fraudulent activities. Furthermore, I believe that this major would allow me to utilize and improve a certain set of skills and personal features that I currently possess, including analytical and communication skills. Finally, I am sure that forensic accounting major will help me gain deep expertise in accounting and auditing, as well as other related fields necessary for this job. Thus, I am positive that this major would allow me to achieve my personal and career goals and to become a real expert in my profession.