

# Forensic Accounting with special reference to Satyam Computers

Iyer Visalakshi Mohan

Assistant Professor, Dept. of Accounting & Financial Management, The M S University of Baroda

## Abstract

Forensic accounting has become an essential field that combines accounting, auditing, and investigative techniques to identify and prevent financial fraud. This paper examines the importance of forensic accounting, its role in detecting corporate fraud, and its growing relevance in India. It explores the key attributes of forensic accountants, the primary methodologies employed in forensic investigations, and various analytical tools such as Benford's Law, data mining techniques, and computer-assisted auditing. A central focus of this study is the well-known Satyam Computer Services scandal, where the company's founder, B. Ramalinga Raju, orchestrated one of India's most significant corporate frauds by inflating profits and manipulating financial statements over several years. This case study delves into the fraudulent activities, their repercussions on stakeholders, and the intervention of forensic accountants and regulatory authorities. It underscores the critical lessons from the Satyam scandal, particularly the necessity for enhanced corporate governance, rigorous auditing standards, and the proactive role of forensic accounting in identifying financial discrepancies. The study concludes that forensic accounting plays a crucial role in combating financial fraud, acting as a safeguard to promote transparency and accountability in corporate financial reporting. As financial crimes become increasingly complex, the demand for forensic accountants continues to rise, making their expertise indispensable for preserving the integrity of financial markets.

**Keywords:** Forensic Accounting, Satyam Computers, financial fraud

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## \*Author's Correspondence

Iyer Visalakshi Mohan

Assistant Professor, Dept. of Accounting & Financial Management, The M S University of Baroda

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## Introduction

Forensic accounting differs from traditional debit and credit accounting as it involves an in-depth financial analysis tailored to an organization's needs. It is a specialized branch of accountancy that deals with engagements arising from actual or anticipated disputes or litigation. The term "forensic" refers to its applicability in legal proceedings, making forensic accounting essential for cases that require financial investigation in a court of law.

This discipline integrates accounting, auditing, and investigative expertise to address legal matters. It involves applying specialized knowledge and skills to uncover evidence related to financial transactions. A key aspect of forensic accounting is reporting, where fraudulent activities are identified, and the findings serve as admissible evidence in court or administrative proceedings. Forensic accounting draws from multiple disciplines, including accounting, finance, law, computer science, ethics, and criminology, making it a comprehensive field in financial investigations.

## Forensic Accountant

While external auditors focus on financial figures, forensic auditors go beyond the numbers to uncover potential fraud. Forensic accountants adopt a proactive and skeptical approach when examining financial records. Unlike external auditors, they do not assume management integrity—if integrity were unquestionable, their role would not be necessary. Their primary concern is not the mathematical accuracy of financial statements or adherence to accounting and assurance standards; instead, they aim to expose any indications of fraudulent activity.

Beyond possessing specialized expertise in fraud detection techniques, a forensic accountant must demonstrate patience and strong analytical skills. Their work requires looking beyond surface-level figures to understand the true nature of financial transactions. This field demands intelligence and keen investigative abilities.

The well-known phrase, “An auditor should be a watchdog, not a bloodhound,” contrasts the roles of external auditors and forensic accountants. Unlike traditional auditors who identify intentional misstatements, forensic accountants actively seek out deliberate financial misrepresentations. They act as the “bloodhounds” of bookkeeping, meticulously tracking fraudulent transactions in banks, corporations, and other organizations, tirelessly searching for concrete evidence of financial misconduct.

### Characteristics a Forensic Accountant should possess

- Curiosity
- Persistent
- Creativity
- Confidence and sound professional judgement
- Good listener and clear and concise communicator of facts
- Discretionary
- Organisational skills

### Emergence of Forensic Accounting

#### At World Level

Did you know that the first actor to portray the world’s most famous detective, Sherlock Holmes, was originally an accountant? It seems fitting, then, that investigative skills and accounting would eventually merge, giving rise to the specialized field of forensic accounting.

The collapse of the Enron Corporation and the tragic destruction of the World Trade Center’s twin towers created significant opportunities for forensic accountants in the United States. Since the 9/11 attacks, forensic accountants have played a crucial role in tracking financial transactions linked to terrorism, aiding in efforts to identify and prevent illicit financial activities worldwide.

So what is this profession that *U.S. News & World Report* designated as one of the ***eight most secure career tracks*** in *America (February 8, 2002)* and *Smart Money Magazine* counted as one of its ***“ten hottest jobs”*** for the next decade with a ***salary*** potential of over ***\$100,000*** (*Accounting Web US, May 16, 2002*). Maurice E. Peloubet coined the term ‘Forensic Accounting’ in 1946.

#### In India

Kautilya was one of the first economists to recognize the importance of forensic accounting. Centuries ago, he identified forty different methods of embezzlement. Similarly, Birbal, one of the nine gems in Emperor Akbar’s court, extensively discussed fraud examination techniques.

In India, the establishment of the Serious Fraud Investigation Office (SFIO) under the Ministry of Corporate Affairs marked a significant milestone in forensic accounting. The SFIO is a multidisciplinary agency comprising experts in finance, capital markets, accountancy, forensic auditing, taxation, law, information technology, company law, customs, and investigations. These professionals come from various institutions, including banks, the Securities and Exchange Board of India (SEBI), the Comptroller and Auditor General (CAG), and other government departments.

To address the growing threat of white-collar crime, Indiaforensic Consultancy Services was founded in 2005, focusing on forensic and investigative accounting. Law enforcement agencies such as the Police, Central Bureau of Investigation (CBI), and Directorate of Revenue Intelligence (DRI) also play a direct role in combating fraud.

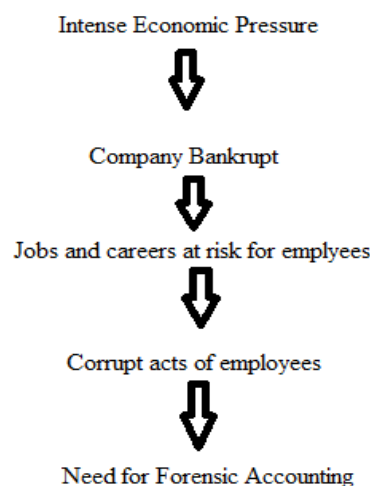
CBI and CID officers have been involved in forensic accounting investigations for years, but until recently, India lacked a dedicated forensic accounting community. However, the movement is now gaining momentum.

With corporate accounting fraud on the rise, the Institute of Chartered Accountants of India (ICAI) has taken the initiative to promote forensic accounting. This effort aims to equip chartered accountants with the necessary tools to detect financial crimes, combat money laundering, and track the flow of funds used for illicit activities, including terrorism financing.

### Need for Forensic Accounting in India

Experts in the field have highlighted that intense economic pressures, increasing corporate bankruptcies, and job insecurities are pushing many individuals toward unethical practices to sustain performance levels. Rising cybercrimes, regulatory failures in detecting financial scams, and the collapse of several cooperative banks all underscore the growing necessity of forensic accounting, whether or not its importance is fully recognized.

The demand for forensic accountants is expanding rapidly, particularly in India, where financial fraud cases are on the rise. In the United States, nearly **40% of the top 100 accounting firms** are strengthening their forensic and fraud investigation services, as reported by *Accounting Today*. If similar trends emerge in India, it is only a matter of time before forensic accounting becomes one of the most significant contributors to the revenue of Indian Chartered Accountant firms.



### Who retains a Forensic Accountant?

Forensic Accountants are often retained by the following group:

- a. Lawyers
- b. Police force
- c. Insurance companies
- d. Government regulatory bodies and agencies
- e. Banks
- f. Courts
- g. Business communities

### What is Forensic Accounting?

Forensic Accounting utilizes accounting, auditing, and investigative skills to conduct an examination into a company's financial statements. 'Forensic Accounting' provides an accounting analysis that is suitable to the court which will form the basis for discussion, debate and ultimately dispute resolution.

Forensic Accounting According to AICPA, “Forensic Accounting is the application of accounting principles, theories and discipline to facts or hypothesis at issues in a legal dispute and encompasses every branch of accounting knowledge.

It encompasses two main areas:

### A) Investigative Accounting

1. Review of the factual situation and provision of suggestions regarding possible courses of action.
2. Assistance with the protection and recovery of assets.
3. Co-ordination of other experts, including:
  - Private investigators;
  - Forensic document examiners;
  - Consulting engineers.
- 4) Assistance with the recovery of assets by way of civil action or criminal prosecution

### B) Litigation Support

- Obtain document to support or refute a claim.
- Review of the relevant documentation to form an initial assessment and identify areas of loss.
- Assist to formulate, questions to be asked regarding the financial evidence.
- Attendance at the Examination for Discovery to review the testimony, assist with understanding the financial issues.
- Review of the opposing expert's damages report and reporting on both the strengths and weaknesses of the positions taken.
- Assistance with settlement discussions and negotiations.
- Attendance at trial to hear the testimony of the opposing expert and to provide assistance with cross-examination.

### Objective of Study

1. To know the various uses of forensic accounting in India.
2. To know the role of Forensic Accountant in fraud examination.

### Research Methodology:

Forensic accounting primarily focuses on **explanatory analysis**, examining **cause-and-effect** relationships within financial systems. This includes detecting any deception and assessing its impact on the accounting domain. The core methodology used by forensic accountants is **objective verification**, ensuring accuracy and reliability in financial investigations.

This study is based on **secondary data** and highlights forensic accounting as an investigative discipline. It involves **analyzing, testing, inquiring, and examining** both civil and criminal cases to provide an impartial and factual report. Just as forensic investigations and lab reports are crucial in solving murder or robbery cases in court, forensic accounting plays a vital role in uncovering financial fraud and white-collar crimes. However, forensic accounting extends far beyond fraud detection, encompassing a wide range of investigative functions, with fraud examination being just one of its many applications.

## Role of Forensic Accountant

A forensic accountant is responsible for various investigative and analytical tasks, including:

1. **Investigating and analyzing financial evidence.**
2. **Developing computerized applications** to aid in analyzing and presenting financial data.
3. **Communicating findings** through reports, exhibits, and relevant documentation.
4. **Assisting in legal proceedings** by providing expert testimony in court and preparing visual aids to support trial evidence.

## Key Services Provided by Forensic Accountants

Forensic accountants offer a wide range of services, including:

- **Quantifying financial losses** due to construction delays, stolen trade secrets, insurance disputes, malpractice claims, employee fraud, business losses, and more.
- **Assessing commercial damages**, such as lease default claims, business interruptions, breach of contracts, partnership disputes, asset division, and financial negligence cases.
- **Tax-related services**, including tax advocacy, compliance reviews, tax reporting, and estate tax planning.
- **Investigative accounting and litigation support**, involving the analysis, interpretation, and presentation of complex financial matters.

## Types of Assignments Performed by Forensic Accountants

1. **Criminal Investigations:** When financial matters are involved in criminal cases, forensic accountants assist investigative agencies, law enforcement, and legal teams in gathering and presenting evidence.
2. **Settlement for an Outgoing Partner:** If a retiring business partner disputes their financial settlement, a forensic accountant accurately assesses the value of assets and liabilities.
3. **Motor Vehicle Accident Claims:** Forensic accountants calculate economic losses resulting from vehicle accidents, leveraging their knowledge of relevant laws.
4. **Insurance Claim Settlements:** Insurance companies and policyholders hire forensic accountants to assess claims related to property loss, fidelity insurance, consequential losses, and other risks.
5. **Matrimonial Disputes:** They assist in tracing, locating, and valuing assets in divorce and family law cases.
6. **Arbitration Services:** Given their expertise in alternative dispute resolution, forensic accountants mediate business disputes.
7. **Professional Negligence Cases:** They quantify financial losses resulting from breaches of Generally Accepted Accounting Standards (GAAS), auditing practices, or professional ethical codes.
8. **Employee Fraud Detection:** Forensic accountants investigate fraud committed by employees, trace misappropriated funds, and collect evidence for legal proceedings.
9. **Business Dispute Resolution:** They assist in resolving contract disputes, construction claims, product liability cases, intellectual property infringements, and contract breaches.

Forensic accountants play a crucial role in maintaining financial integrity, supporting legal cases, and preventing fraud across various industries.

## Typical approach to a Forensic Accounting Assignment:

Each Forensic Accounting assignment is unique. Accordingly, the actual approach and the procedures performed will be specific to it. However, in general, many Forensic Accounting assignments will include the following steps:

- a. Meet the client
- b. Perform a conflict check
- c. Perform initial investigation
- d. Develop an action plan
- e. Obtain the relevant evidence

- f. Perform the analysis
- g. Prepare the report

### Stages in Forensic Accounting Assignment

There are five stages in the typical Forensic Accounting Assignment:

1. Data Analysis
2. Classification of fraud
3. Finding out the perpetrator
4. Working out the methodology
5. Assessing the damage



### Tools used in Forensic Accounting

Forensic accounting integrates **traditional accounting and auditing methods** with advanced **analytical and statistical tools** to detect fraud. Key accounting techniques include **ratio analysis, cash flow analysis, and statistical examinations of evidence**. When dealing with large volumes of financial data, forensic accountants use modern **technology-driven solutions** to source, sort, analyze, and interpret data efficiently.

### Major Techniques for Detecting Fraud in Forensic Accounting

#### 1. Benford's Law:

- A mathematical tool used to identify **anomalies in numerical data**.
- Helps distinguish between **unintentional errors and deliberate fraud** by analyzing the frequency of digits in financial data.
- Any irregularities detected lead to **further detailed scrutiny** of the dataset.

#### 2. Theory of Relative Size Factor (RSF):

- Measures the **ratio of the largest number to the second-largest number** within a given dataset.
- Highlights **unusual fluctuations** that may indicate fraud or genuine errors.
- Useful for analyzing **financial transactions of vendors, customers, employees, and other entities**.

#### 3. Computer-Assisted Auditing Tools (CAATs):

- Specialized **computer programs used by auditors** to analyze data without relying on clients' internal systems.
- Key functions include:
  - (a) **Testing transactions** for irregularities.

- (b) **Identifying inconsistencies** in financial records.
- (c) **Assessing controls** within computer systems.
- (d) **Extracting samples** for audit testing.
- (e) **Verifying accounting system calculations.**

#### 4. Data Mining Techniques:

- Automated methods used to analyze large datasets and identify hidden patterns.
- Categorized into three approaches:
  - **Discovery Analysis:** Identifies unusual patterns in data.
  - **Predictive Modeling:** Uses past data to forecast fraudulent activities.
  - **Deviation and Link Analysis:** Detects irregularities and links between suspicious activities.

#### 5. Ratio Analysis:

- Evaluates a company's financial health by analyzing key financial ratios.
- Detects fraud symptoms through unusual variations in financial figures.
- Commonly used fraud detection ratios:
  1. **Max/Min Ratio:** Compares the highest value to the lowest value.
  2. **Max/Max2 Ratio:** Compares the highest value to the second-highest value.
  3. The ratio of the current year to the previous year

These techniques, when used together, enable forensic accountants to **detect and investigate financial fraud**, ensuring transparency and accountability in financial reporting.

### Satyam Computers, the Great Fall

**Case Study:** An attempt is made to analyse the fraud made by founder and chairman - B. RamalingaRaju of **Satyam Computers** and the lessons to learn from.

*SATYAM, WHICH MEANS "TRUTH" IN INDIA'S ANCIENT SANSKRIT LANGUAGE, "HAD INFLATED PROFITS OVER A PERIOD OF LAST FEW YEARS,"* before its fall.

#### Background

Satyam Computer Services is a global business and information technology services company. Satyam is one of the top and biggest IT firms in India and in the globe as it is running with around 53000 employees and branched in 66 nations, rooted in India. It delivers consulting, systems integration and outsourcing solutions to clients. Satyam Computer was incorporated on 24th June 1987 in Hyderabad (India) by Mr. RamalingaRaju, as private limited company for providing software development and consultancy services to large corporation. The company was promoted by B Rama Raju and B RamalingaRaju. In 1991, Satyam Computers became the first Indian company to provide offshore services. It is considered as an icon among the IT companies and at one point had over billion dollar revenue.

#### MR. RAMALINGA RAJU AND THE SATYAM SCANDAL

January 7, 2009, marked a **black day** in the history of India's corporate sector when the **massive multi-year fraud at Satyam Computers** was exposed. The scandal came to light when the company's **founder and chairman, B. Ramalinga Raju, resigned** from his position and confessed to manipulating financial statements for years. His fraudulent actions led to a **loss of nearly \$2 billion**, affecting **300,000 shareholders** and causing the company's net worth to plummet from **₹8,529 crore (positive) to ₹278 crore (negative)**.

In his letter to **Satyam Computers' Board of Directors**, Mr. Raju admitted that he had been **manipulating the company's financial records** for years. He overstated **assets on the balance sheet by \$1.47 billion**, with **\$1.04 billion in non-existent bank loans and cash**. Additionally, Satyam **underreported its liabilities** and

**overstated its revenue and profits** every quarter to meet analyst expectations. For instance, the financial results announced on **October 17, 2009, falsely reported a 75% increase in revenue and a 97% increase in profits.**

The fraud was executed using **multiple deceptive techniques.** As noted by Ramachandran (2009), Mr. Raju used his **personal computer** to **fabricate bank statements**, falsely inflating the company's financial position. He **forged documents** to show interest income from **non-existent bank accounts** and created **6,000 fake salary accounts** to siphon company funds. Additionally, the **company's global head of internal audit** played a crucial role by:

- **Creating fake customer identities** and generating **false invoices** to inflate revenue.
- **Forging board resolutions** to obtain loans illegally.
- **Manipulating American Depository Receipts (ADR) funds**, which were raised in the U.S. but never reflected in the company's balance sheets.

The Satyam scandal exposed **severe corporate governance failures** and highlighted the **urgent need for stronger financial oversight, forensic accounting techniques, and stricter auditing standards** to prevent such financial frauds in the future.

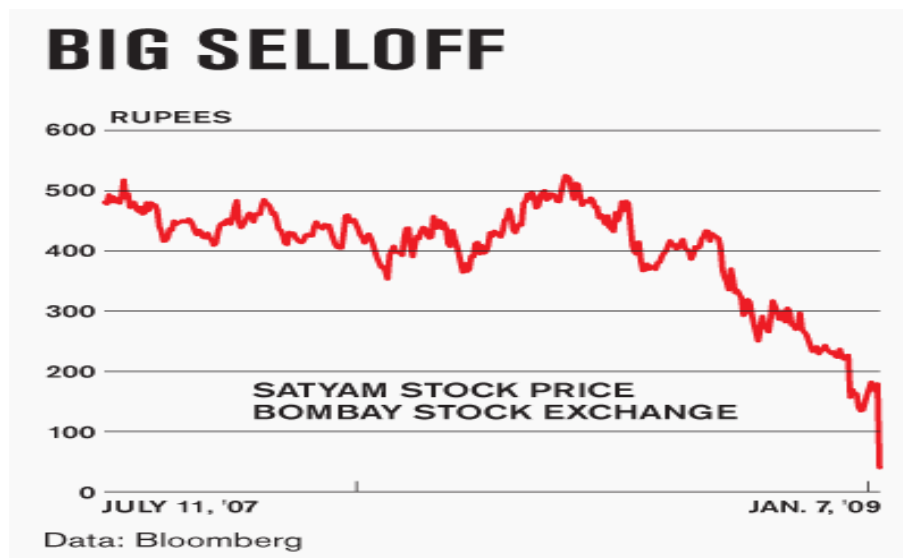
#### Events leading to fall

2008 Dec 16	SCS announces \$1.6 billion acquisition of 100% stake in Maytas Properties and 51% stake in Maytas infra.
Dec 17	Satyam - Maytas deal is scrapped following investor-shareholders rebellion
Dec. 21	Government asks ROC to submit the report with factual evidence
Dec 24	World Bank bars business with Satyam for 8 years starting September 2008.
Dec 29	Non-executive director Krishna Palepu and independent director Vinod Dham resign from board.
2009 Jan 2	Satyam discloses to stock exchange that Raju and his family have pledged all their shares, held in a corporate entity
Jan 3	Ramalinga Raju's stake in Satyam falls to 5.13% from 8.27% as lenders sell shares.
Jan 6	Ramalinga Raju's stake falls further to 3.6% from 5.13%.
Jan 7	Chairman Ramalinga Raju and MD Rama Raju resign.

#### Magnitude of fraud

- Inflated cash and bank balance of Rs 5040 crore.
- Non-existence of accrued interest of Rs 376 crore.
- Understated liabilities of Rs 1230 crore on account of funds arranged by Raju.
- Overstated debtors' position of Rs 490 crore.
- Q<sub>2</sub> 2008-09 revenue was stated as Rs 2700 crore as against Rs 2100 crore.
- Operating profit margin was stated as 24% as against actual 3%.
- Profit inflated over last several years attained unmanageable levels as company grew.

Aborted Maytas acquisition was a last attempt to fill the fictitious asset with real ones.



### Satyam Computers off 90% in two days

Due to discomfort and struggle in management Raju resigned from managing director of Satyam. Indian share market started to tumble after his resignation news reached SEBI and the investors and traders. The shares of Satyam made a whopping 90 percent slope journey with a grave cry among the shareholders.

- Satyam Computer Service slumped 54.07% to Rs 18.35 at 10:05 IST, extending losses for the second session in a row as chairman RamalingaRaju resigned on Wednesday, 7th January 2009, after announcing the books of accounts were artificially inflated.
- The stock had lost a staggering 77.69% to end at Rs 39.95 on Wednesday, 7th January when Raju made the announcement of the accounting fraud during trading hours. The stock has lost 89.75% from a recent high of Rs 179.10 on 6th January 2009.
- Meanwhile, the BSE Sensex was down 125.70 points, or 1.31%, to 9473.54.

### Effects of scam

- No one has ever expected this to happen but this world is full of surprises. When you are confident that everything is going fine something unwanted happens. As our market too regained strength and started the rally, this shook the market as never before.
- Market crashed by more than 6%. As investors returned after a long hibernation this event scared them beyond anyone's imagination.
- There are people who might have lost their life saving. There are 53000 employees whose future is at stake, at the time when economy is reeling under recession.
- The only answer to Satyam fiasco that we have is this 'bad corporate governance'. India Incorporation now has to answer how to make the corporate governance more transparent and accountable.

### Forensic Accountant's opinion about Satyam Fraud (New Delhi, Jan 16, 2009)

The **Indian government** is seeking assistance from **private forensic accountants** to unravel the **complex corporate fraud** orchestrated by **Satyam's founder, B. Ramalinga Raju**. Government agencies are struggling to decipher the **intricate accounting web** created over the years, as Raju **manipulated financial records** without detection until he himself admitted to fabricating the accounts.

Given the complexity of the scam, **forensic accounting experts from KPMG** have been called in to assist in the investigation, as regular audit teams would find it too challenging to uncover the financial irregularities. According

to sources, Raju **may have altered the format of financial statements**, making it even more difficult for investigators to trace the fraud.

**KPMG**, a **global professional services network**, is now working alongside **Deloitte** to restate **Satyam's accounts** and bring transparency to the financial misrepresentation. The **Serious Fraud Investigation Office (SFIO)** is leading the probe with the help of forensic accounting experts to **trace the origins of the fraud** and analyze the behavioral patterns of financial criminals.

Investigators aim to **develop a new accounting framework** that will eliminate opportunities for similar frauds in the future. Experts warn that **corporate fraud is likely to increase**, especially during economic downturns. According to **Donna Epps, a partner at Deloitte Financial Advisory Services**, financial fraud often arises due to the **"fraud triangle,"** which consists of:

1. **Pressure** – financial stress or business pressures that push individuals to commit fraud.
2. **Opportunity** – weaknesses in accounting systems that allow fraud to occur.
3. **Rationalization** – justification by fraudsters for their unethical actions.

The **Satyam fraud case** underscores the importance of **forensic accounting** in detecting and preventing financial crimes, reinforcing the need for **stronger financial regulations and oversight mechanisms**.

#### **Forensic experts to help unravel Raju's Satyam scam**

- On January 14, 2009, KPMG (Klynveld Peat Marwick Goerdeler) and Deloitte Touche Tohmatsu were appointed as the new auditors for Satyam Computer Services, replacing PricewaterhouseCoopers (PwC) following the exposure of a Rs. 7,000 crore corporate fraud. However, the Institute of Chartered Accountants of India (ICAI) raised concerns about KPMG's involvement, as the firm was not registered with ICAI, questioning its eligibility to conduct audits for the company.
- As the new board works towards stabilizing Satyam Computer Services Ltd, government agencies continue to struggle with deciphering the complex accounting manipulations executed by Ramalinga Raju. Investigators are now relying on private forensic accountants to unravel the intricate financial fraud, which went undetected for years until Raju himself confessed. Despite his admission, experts are still trying to understand the methods he used to manipulate the company's financial statements.

In April 2009, Tech Mahindra, a leading Indian IT services provider, acquired 31% ownership in Satyam Computer Services for Rs. 1,757 crore. The company later increased its stake to 51%, securing majority control over Satyam. The acquisition was made at Rs. 58 per share, marking a significant transition in the ownership and future direction of the firm.

#### **Current status of the company (Now Mahindra Satyam)**

The financial year 2011-12 witnessed the transformation of Mahindra Satyam (MSat). Currently company's share is quoted at 128.90 as on 15<sup>th</sup> March, 2013. As per the Directors report presented for the year 2011-12 along with the financial statements the Basic EPS of the year 2011-12 increased to Rs. 10.22 from negative Rs. 1.08 of previous year (2010-11). (Annexure 1)

The company focusing on profitable growth, opening low cost off shore centres outside India, strategic acquisitions that reinforced the domain and technology strengths and set aside funds to encourage entrepreneurship within and outside the company.

The Company was certified as the Platinum Partner for Oracle and the Microsoft Technology Excellence Center (MTEC) at Mahindra Satyam (incollaboration with our Healthcare practice) came out as winners in the Cloud application development contest held by Microsoft.

A report on Corporate Governance, along with a certificate for compliance with the Clause 49 of the Listing Agreement issued by the practicing Company Secretary is disclosed in the Annual Report of 2011-12.

## Lessons learned from scam

Here are some lessons learned from the Satyam Scandal:

- **Investigate All Inaccuracies:** The fraud scheme at Satyam started very small, eventually growing into \$276 million white-elephant in the room. Indeed, a lot of fraud schemes initially start out small, with the perpetrator thinking that small changes here and there would not make a big difference, and is less likely to be detected. This sends a message to a lot of companies: if your accounts are not balancing, or if something seems inaccurate (even just a tiny bit), it is worth investigating. Dividing responsibilities across a team of people makes it easier to detect irregularities or misappropriated funds.
- **Ruined reputations:** Fraud does not just look bad on a company; it looks bad on the whole industry and a country. “India’s biggest corporate scandal in memory threatens future foreign investment flows into Asia’s third-largest economy and casts a cloud over growth in its once-booming outsourcing sector. The news sent Indian equity markets into a tail-spin, with Bombay’s main benchmark index tumbling 7.3% and the Indian rupee fell” (IMF, 2010). Now, because of the Satyam scandal, Indian rivals will come under greater scrutiny by the regulators, investors and customers.
- **Corporate Governance needs to be stronger:** The Satyam case is just another example supporting the need for stronger CG. All public-companies must be careful when selecting executives and top-level managers. These are the people who set the tone for the company: if there is corruption at the top, it is bound to trickle-down. Also, separate the role of CEO and Chairman of the Board. Splitting up the roles, thus, helps avoid situations like the one at Satyam.

## Conclusion

- Experts in the field pointed out that the intense economic pressure, with more companies facing bankruptcy jobs and careers are at risk and employees feel pressured to maintain and support performance levels, forcing many to commit corrupt acts. Whatever the reasoning may be, more and more forensic accountants are being called upon to meticulously search through documents, discover new information, and help in putting together the irregular pieces of a company’s financial puzzle to solve the vexing problems.
- The recent instances of slips on many aspects have pulled the authorities and the professional accounting bodies into a new perception that goes beyond statutory audit and in some ways even the tenets of corporate governance which, according to critics, are no better than lime – wash of the affairs of a company. Not only that even the occupational fraud committed by employees usually involves the theft of assets and embezzlement that has been the most often committed fraud for the last 30 years and the ever changing economic, sociological and technological environment as well as the increasing social and financial terrorism has led the business to turn Forensic Accounting for proactive fraud check-ups.

*Forensic accounting more than accounting...more than detective work...it's a combination that will be in demand for as long as Human nature exists.*

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### **Annexure 1**

Directors' Report (Mahindra Satyam) for the financial year 2011-12 (Source: [www.economictimes.com](http://www.economictimes.com))  
 Financial Highlights

(Rs. in Million)

Particulars	2011-12	2010-11
Income from Operations	59,643	47,761
Other Income	3,900	2,837
Total Income	63,543	50,598
Operating Profit (PBIDT)	13,655	7,263
Interest and Financing Charges	112	92
Depreciation / Amortization	1,494	1,499
Exceptional items (net)	(518)	6,411
Profit / (Loss) before Tax	12,567	(739)
Tax expense	539	537
Profit (Loss) after Tax	12,028	(1,276)
Equity share capital	2,354	2,353
Reserves and Surplus	30,788	19,259
Earnings per share (Rs. Per equity share of Rs. 2 each)		
- Basic (Rs.)	10.22	(1.08)
- Diluted EPS (Rs.)	10.21	(1.08)