

# Detection of Frauds and Identifying Manipulated Financial Statements: A Case Study of Aviation Industry

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## Abstract

The aviation industry is a service sector industry dedicated to the operating of all types of aircrafts. The Government of India had allowed 100% foreign direct investment in the aviation sector. The year 2018 witnessed a growth of 18.6% in the airline demand in the domestic sector which was approximately 3 times of the global growth which was calculated at 6.5%. In spite of the massive growth predicted, this sector has witnessed major downfalls, bank frauds and bankruptcy. The increasing levels of NPA's results in the drastic fall in the income / profitability levels of the banks. This study has investigated the penetration of forensic auditing which proves to be a solution for the rising bank frauds leading to the alarming rise of NPA level in the Indian Banks. In this research we have empirically investigated the validity of myriad laws developed by eminent researchers Benford, Beneish, Piotroski etc .

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## I. Introduction

NON-PERFORMING ASSETS (NPA) have been tormenting the Indian Banking system since the global recession of 2008. The Indian government and the Reserve Bank of India (RBI) have introduced time limit and rules to check and control the rising level of NPA's. But both the regulating agencies have failed miserably. The rising level of NPA has had a very high negative impact on the level of confidence of the investors, depositors etc. The increasing levels of NPA results in the drastic fall of the income or profitability levels of the banks. Forensic audit is the post mortem of the financial reports of an individual or company. The audit report is further used as legal evidence in the court of Law. It is also used by Law enforcing agencies for

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who have suffered major financial set-backs namely Kingfisher airlines and Jet airways. This study reveals that forensic accounting combined with various laws will reveal accounts that should be red flagged. It will also recommend the application of these laws to predict the financial stability of the companies before the Bank extends credit facilities to the companies.

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