

## **A Study on the Service Performed by a Forensic Accountant in Matrimonial Divorces Using Lifestyle Analysis**

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### **ABSTRACT**

*The ever-increasing technology use in every sphere of business is leading to more complex frauds than before. In wake of such frauds and threats forensic accounting helps the business to prevent frauds from occurrence and detects them before it's too late. The main objective of this study is to highlight the role of a forensic accountant as an economic consultant throughout the divorce case one who can deliver technical expertise and sound financial Judgment.*

*Keywords: Forensic accountant, Divorce cases, lifestyle analysis.*

### **1.1 INTRODUCTION**

Forensic accounting refers to the integration of accounting, auditing and investigative skills. It is an accounting analysis forms the basis for discussion, debate and ultimately dispute resolution.

It plays a very important role in the equitable distribution of assets during separation or divorce proceedings. The valuation of such assets including property and business interests is a complicated process which can be aided by a forensic accountant. The various Services performed by forensic accountants in divorces cases include preliminary evaluations, lifestyle analysis, preparation of case information statements, disposable income analysis, tax analyses for alimony, child support and discovery.

### **1.2 OBJECTIVES OF THE STUDY**

**The main objective of the study is to:**

- To analyze the need of a forensic accountant in divorce proceedings.
- To analyze the service performed by a forensic accountant in divorce proceedings using lifestyle analysis.

### **1.4 NEED FOR FORENSIC ACCOUNTANTS IN MATRIMONIAL DIVORCES:**

Financial dispute is often at the heart of a divorce and forensic accounting skills are regularly required. The financial issues which appeared during the divorce period is complicated and have to consider the help of a financial expert. During the dispute over the value of spouse share in business the role of a forensic accountant becomes very essential. The percentage of first marriages that ended up in divorce accounted to around 50% and the rate was even higher for subsequent marriages. While the reasons for which the couples apply for divorce may be plenty the process of getting a divorce could be highly confusing, complex and emotional. As a result, having the right team of professionals to guide the couple throughout the divorce process can help to reduce the emotional pain, promote efficiency and timeliness and thereby make the process less confusing.

### **1.5 SERVICE PERFORMED BY A FORENSIC ACCOUNTANT IN MATRIMONIAL DIVORCES USING LIFESTYLE ANALYSIS**

#### **1) Lifestyle analysis**

A lifestyle analysis is an analysis of a spouse's income and expenses and is highly used in the divorce proceeding to understand the standard of living during the marriage and to estimate the living expenses and spending habits of each spouse. A lifestyle analysis is more in-depth analysis than the financial affidavits required in the divorce process and is prepared by a forensic accountant. In this analysis the details will serve as verification of the net worth and income and expense statements submitted by both spouses, and thus can help a judge to determine the equitable distribution of marital assets as well as alimony needs.

#### **Considerations**

- Day-to-day living expenses / monthly budget during marriage.

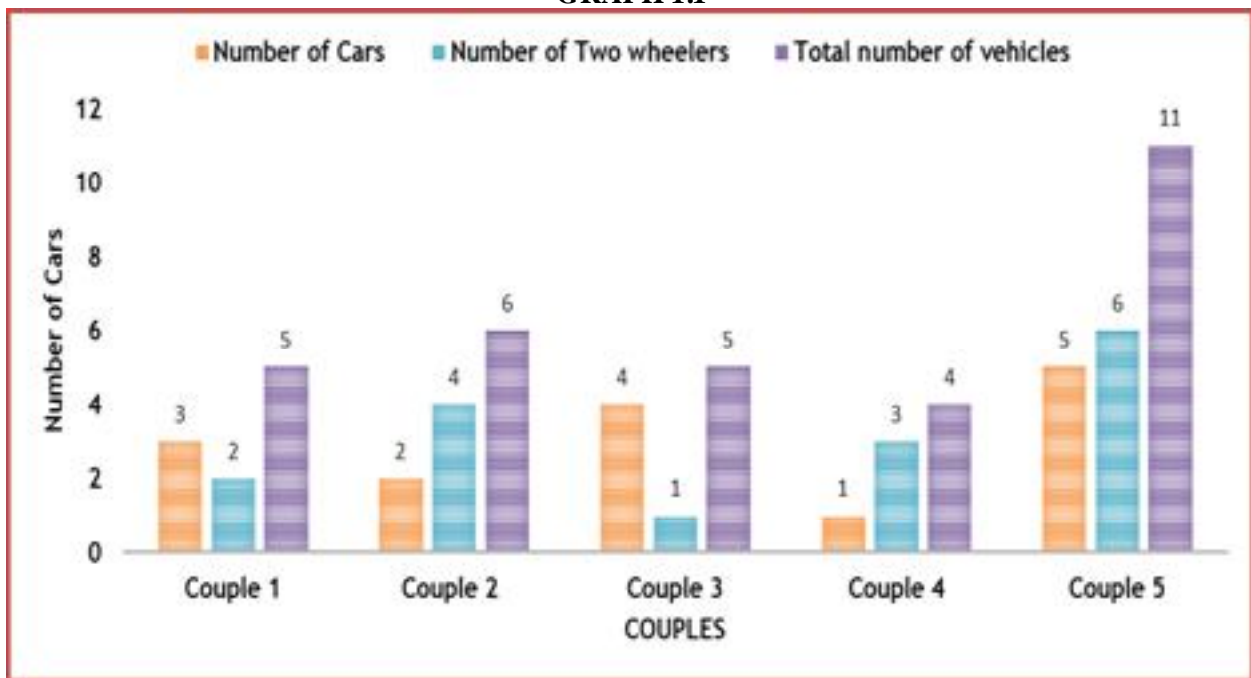
- Spending habits of both husband and wife.
- Standard of Living.
- Sources of income(s) for both husband and wife.

**1.6 LIFES TYLE QUESTIONNAIRE ANALYSIS:**

(Source -5 couples who were filing for divorce and their responses have been considered.)

- **Description of the vehicles owned by the couples.**

**GRAPH 1.1**



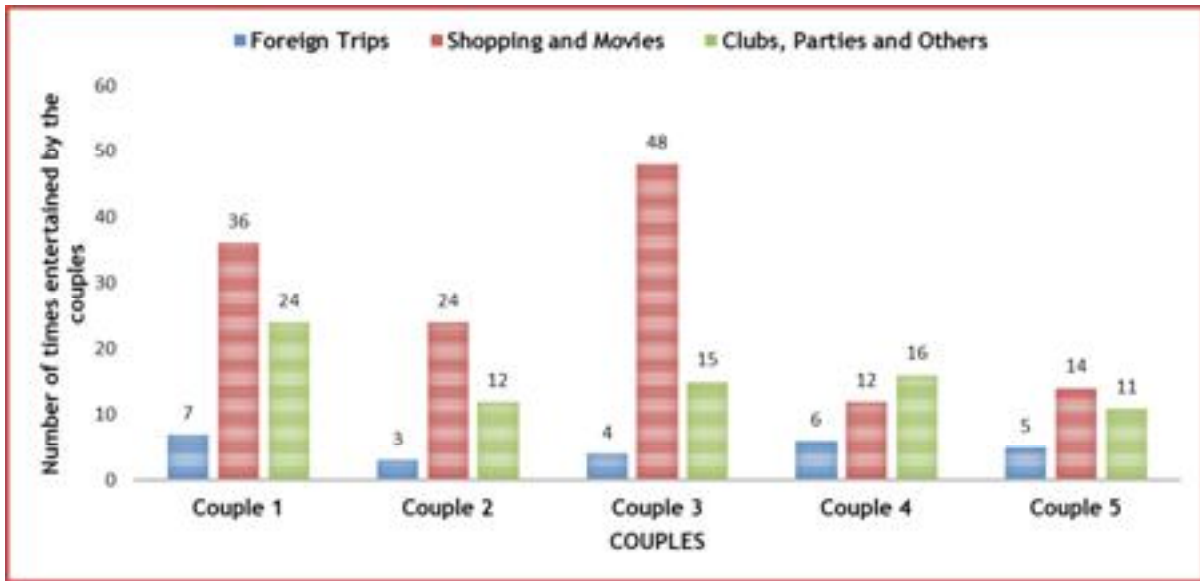
From the above graph we can say that the total percentage of vehicles owned by the various families are as follows:

**TABLE-1.1**

Name of the Families	% of total vehicles held by the Families
COUPLE 1	17%
COUPLE 2	19%
COUPLE 3	16%
COUPLE 4	13%
COUPLE 5	35%

- **Various types of entertainment enjoyed by the couples in the last three years.**

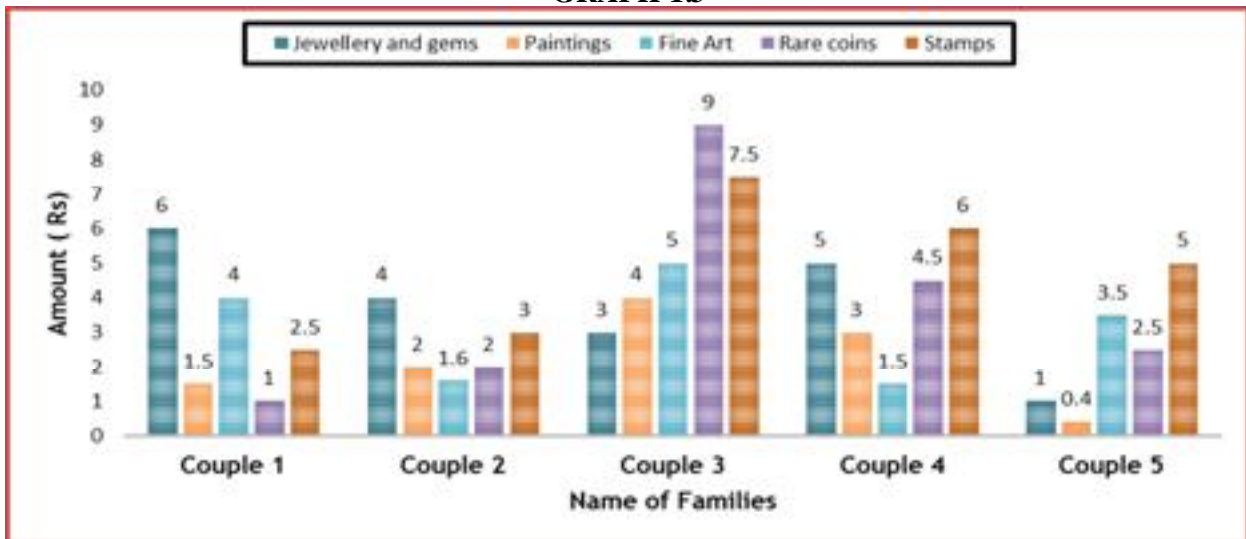
**GRAPH-1.2**



From the above graph we can see that majority of the couples preferred shopping (52%) and movies as a means of entertainment when compared with foreign trips (13%) and clubs, parties and others (35%).

- The amount of purchases that were made for Jewellery, art work or collectibles by the couples.

GRAPH-1.3



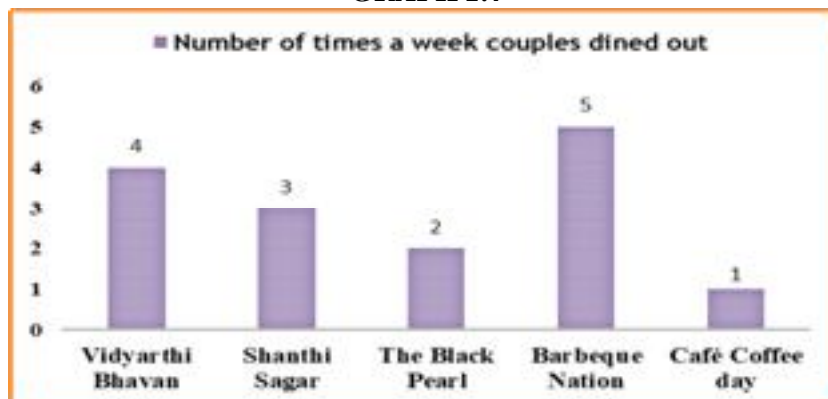
From the above graph we can conclude that the percentage of the amount spent on purchasing Jewellery, paintings etc. were as follows:

TABLE-1.2

Items	% of the amount spent on the items by the couples out of the total amount spent on the various items
Jewellery and Gems	22%
Paintings	12%
Fine Art	18%
Rare Coins	21%
Stamps	27%

- Number of times a week and the various restaurants dined out by the Couples.

GRAPH 1.4



From the above graph we can conclude that the barbeque nation restaurant was the most preferred restaurant by the couples where they dined out for around five days a week. This was followed by Vidyarthi Bhavan where the couples dined out for around four days a week.

**Q5: How were the above expenses paid for? Were they paid through Business perquisites, Personal checks, credit card, Cash, borrowings or business and personal assets?**

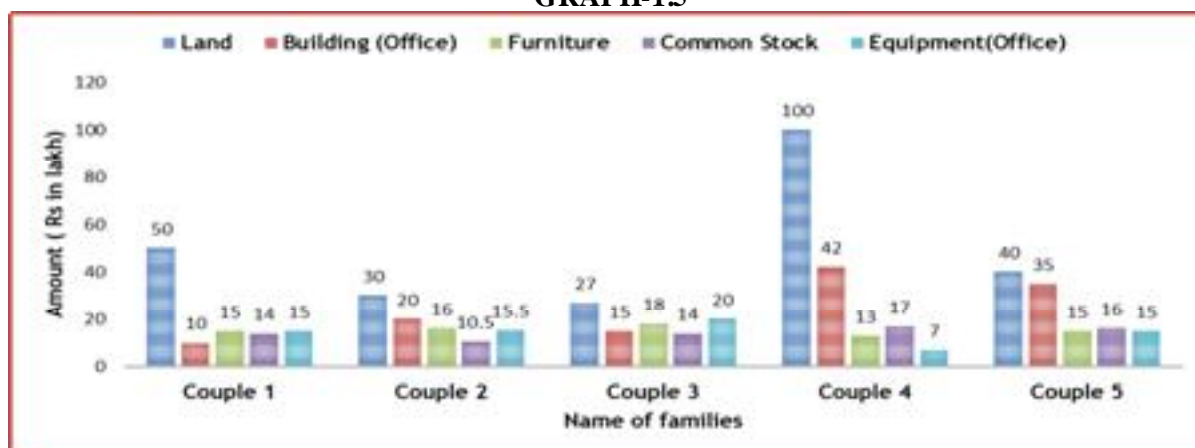
TABLE-1.3

Various Types of Expenses	How the expenses were being paid for by the couples
Cars and two wheelers	Business perquisites and Cash
Foreign trips	Cash and Borrowings
Shopping and Movies	Credit card
Clubs parties and others	Business perquisites and personal checks
Jeweler, paintings, fine art, rare coins etc.	Personal and business Assets
Restaurants	Cash and credit Card

From the above table we can conclude that most of the expensed were being met by cash, credit card and business perquisites.

- **Details regarding the assets that were liquidated and the money received by the couple in form of Loans, Gifts and Inheritances.**

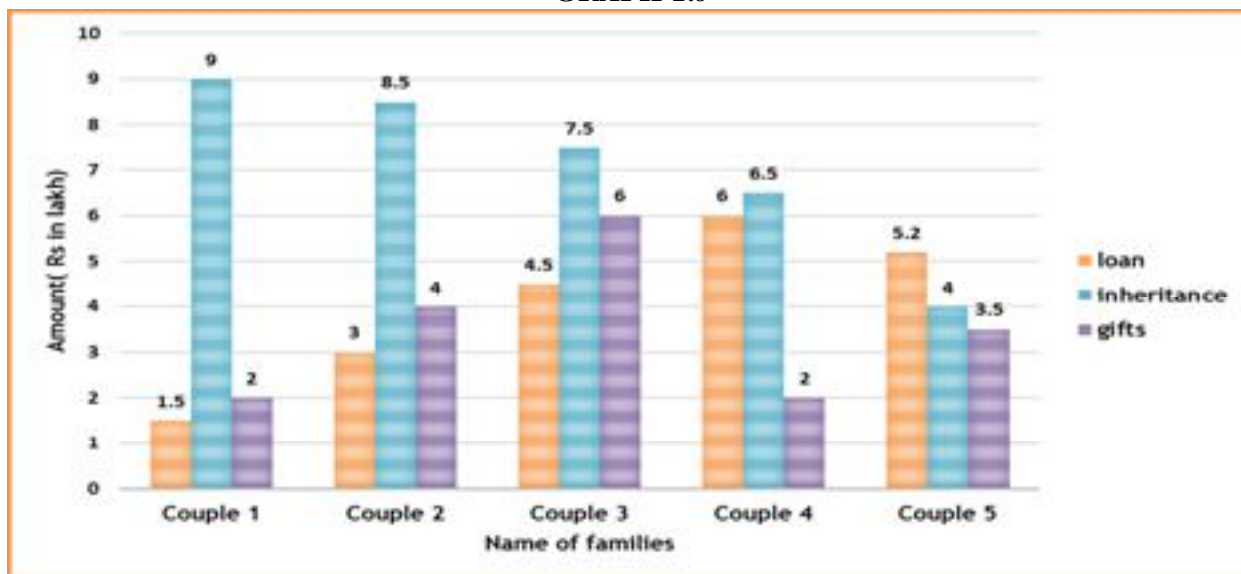
GRAPH-1.5



From the above graph we can conclude that land is the most liquidated asset by the families followed by Buildings, Furniture, Common stock and office Equipment.

- This graph indicates the amount received in the form of loans, gifts and inheritance.

**GRAPH-1.6**



From the above graph we can conclude that the amount received in the form of loan account to 28%, the amount received in the form of inheritances account to 48% and the amount received in the form of gifts account to 24% of the total amount of money received.

**1.7 FINDINGS**

- Most of the respondents who had applied for divorce were between the age of 35 to 40.
- Most of the respondents will be falling under the higher income groups.
- Majority of the couples were actively involved in movies, shopping and restaurants as a means of entertainment.
- Majority of the respondents fulfilled their expenses through Cash, Credit Cards and Personal Checks.

**1.8 SUGGESTIONS**

- If the spouse is a poor communicator, they can take an advice from the expert people dealing with such cases known as forensic accountant.
- A forensic accountant acts as a witness or an evidence in the court where applicable.
- Asset Tracing and achieving financial disclosure when one or both the parties believe that assets may have been hidden by other in order to avoid such situations forensic accountant keeps over the financials.

**1.9 CONCLUSION**

The standard of living enjoyed during marriage is a factor to be considered in the determination of both alimony and child support as a result lifestyle analysis provides the necessary information to negotiate these kind of issues. When properly utilized a forensic accountant becomes a valuable consultant throughout the divorce case. They can provide technical assistance as well as guidance and judgement on financial matters at every phase of the case. The details in the analysis serve as verification of the net worth, income and expense statements submitted by both spouses, and can help to determine the equitable distribution of marital assets as well as alimony needs.

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