



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2024 SEMESTER**

COURSE CODE	: EAB30603
COURSE NAME	: FORENSIC ACCOUNTING AND FRAUD EXAMINATION
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 1 JULY 2024
TIME	: 2.00 PM – 5.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 Marks)

INSTRUCTION: Answer **ALL** questions.

Please use the answer booklet provided.

Question 1

Tangkas, an international company operating in the technology industry, encouraged a business culture that valued risk-taking and ambitious goals by emphasising agility and growth. However, beneath the appearance of success was a darker truth. Tangkas unintentionally built a culture that prioritised results over ethical behaviour to meet aggressive growth ambitions. Employees were incentivized to exceed aggressive sales targets and deliver great financial outcomes, often at any cost. This pressure to perform created a competitive environment where corners were made, and ethical lines were blurred.

One of Tangkas' primary sales divisions is run by Mr Chong, a results-oriented manager who embodies this culture of success at any cost. Under his direction, the sales team used aggressive sales practices, such as misrepresenting product capabilities and exaggerated revenue estimates, to obtain expensive contracts. Despite allegations of unethical behaviour, the manager's ability to achieve great outcomes consistently has protected him from criticism. As the pressure to sustain financial success increased, incidents of fraudulent activity in the sales division began to emerge. Whistleblowers claimed examples of fabricated sales records, unauthorised discounts, and kickbacks given to clients to obtain business. However, the dominant company culture, which prioritised performance and success, prevented people from speaking out against misconduct for fear of punishment or career damage.

Required:

- (a) Based on the fraud triangle theory, explain **THREE (3)** motivations for fraud in the above case.

(6 marks)

- (b) Explain **TWO (2)** fraud techniques that cannot be prevented by the best internal control system.

(6 marks)

(c) Elaborate further on the following other factors in corporate culture and how it can contribute to employee fraud:

- i. Poor employee compensation
- ii. Hostile work environment
- iii. Corporate financial problems

(9 marks)

(d) Discuss how an effective Board might help to deter Tangkas's fraud.

(6 marks)

[27 marks]

Question 2

TechGiant Bhd. was once a leading player in the consumer electronics market, known for its innovative products and strong market presence. However, over the past few years, the company has faced a series of challenges that have raised serious concerns about its long-term viability. The company reported a net income of RM500 million in 2020, which decreased to RM350 million in 2021 and further plummeted to RM150 million in 2022. While net income has declined, cash flows from operations have also shown a concerning trend. In 2022, cash flow from operations was RM450 million, but it dropped to RM300 million in 2023 and RM50 million in 2024. The average collection period for accounts receivables has also increased from 30 days in 2022 to 60 days in 2024. To manage its financial struggles, TechGiant Bhd. has increasingly relied on debt. Their debt-to-equity ratio has escalated from 0.5 in 2022 to 1.2 in 2024.

TechGiant Bhd.'s flagship product line, Tech-G 3.0, once a market leader, has not seen significant updates in the past two years. Competitors have surpassed TechGiant with more advanced and appealing products, leading to a significant loss in market share and customer interest. Inventory levels have ballooned from RM200 million in 2022 to RM400 million in 2024, while sales have been declining.

The company is currently facing several lawsuits, including a high-profile patent infringement case and a breach of contract lawsuit filed by a major supplier. These legal issues not only drain financial resources but also damage the company's reputation. Auditors have raised substantial doubt about TechGiant Inc.'s ability to continue as a going concern due to its financial struggles and ongoing operational challenges.

Required:

- (a) Provide **FIVE (5)** indications that TechGiant Bhd. is financially distressed. (10 marks)
- (b) Suggest **FIVE (5)** potential financial statement frauds that might be occurring in relation to the above indications in (a). (10 marks)
- (c) Propose **THREE (3)** controls to prevent potential fraud related to accounts receivables. (6 marks)
- (d) Discuss whether financial statement fraud that occurs on the balance sheet is interrelated with fraud that occurs on the income statement. (3 marks)
- [29 marks]**

Question 3

Identity theft is the fastest-growing crime globally. Identity theft happens when one person uses another personal identifying information, such as a driver's license or identity card, to obtain goods and services in another person's name. The good news is identity theft can be prevented.

Required:

- (a) Define identity theft and provide an example of identity theft. (3 marks)
- (b) Discuss **THREE (3)** ways that identities can be stolen. (9 marks)
- (c) Suggest **THREE (3)** warning signs to the victim of identity theft. (9 marks)
- [21 marks]**

Question 4

Dignity Bank is a respected financial institution in the busy financial hub of TRX. The bank is known for its strict compliance. Abdul, an experienced compliance officer at Dignity Bank, has recently uncovered potentially illicit activities that have raised significant red flags. He noticed an unusual pattern of deposits made by Megah Holdings, a company that claimed to be involved in import and export activities. Megah Holdings regularly deposited large sums of cash in small denominations into its accounts at various Dignity Bank branches. These deposits were consistently just below the RM25,000 reporting threshold set by financial regulatory authorities. The deposits were made at multiple branches across different regions. After the deposits, the funds were quickly transferred to overseas accounts in countries with less stringent financial regulations. Megah Holdings used the money to purchase several high-value properties in major cities. They invested in legitimate businesses, such as a chain of restaurants and a tech startup. They paid other entities for services such as "consulting fees" or "business expenses" without clear descriptions.

Required:

(a) Identify **FIVE (5)** red flags of money laundering from the above case.

(10 marks)

(b) Elaborate with examples **THREE (3)** steps in the money laundering process.

(9 marks)

(c) Explain the following terms:

- i. Smurfing
- ii. Under-the-table cash deal

(4 marks)

[23 marks]

END OF EXAMINATION PAPER