



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE : EAB30603
COURSE NAME : FORENSIC ACCOUNTING AND FRAUD EXAMINATION
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 4 FEBRUARY 2025
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 **FIVE (5) 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 SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.**Please use the answer booklet provided****Question 1**

Match the following terms with their corresponding definitions. The first example in italic has been done for you.

	Type of Fraud	Fraud Description
a)	<i>Charitable publication scams</i>	..happens when a telesales agent calls a business selling advertising space in a bogus publication for a seemingly good cause.
b)		..are when fraudsters send out official looking letters or emails to ask for money or personal information.
c)		..is when a fraudster pays a business for goods or services by a fraudulent cheque. The cheque is made for a higher than the actual value.
d)		..happens when you are made offers of inside information or 'foolproof' systems that guarantee you profit from gambling.
e)		Scams relating to website domain names involve fraudsters offering businesses first refusal on a domain name, saying that someone else is just about to buy it.
f)		..happen when fraudsters send an invoice or bill to a company, requesting payment for goods or services.
g)		..happen when false claims are made to insurance companies.
h)		.. are 'get rich quick' investment scams which pay returns to investors from their own money, or from money paid in by subsequent investors. There is no actual investment scheme as the fraudsters siphon off the money for themselves.
i)		.. happen when employees of a company claim for travel or subsistence expenses that are not owed.
j)		.. is often fraud committed by a company's employees.
k)		..is any fraud that involves falsely creating or diverting payments.

- Betting fraud
- Cheque overpayment fraud
- Domain name scams
- Government agency scams
- Insurance fraud
- Invoice scams
- Payment fraud
- Ponzi schemes
- Receipt fraud
- Travel and subsistence fraud

[20 marks]

Question 2

The sheer number of fraud theories arises from the complex and multifaceted nature of fraud itself. Fraud isn't a monolithic issue; it takes many forms, is driven by diverse motives, and is perpetrated by various individuals and groups. This complexity demands multiple theoretical approaches to understand its different facets. Moreover, the study of fraud is interdisciplinary, drawing from fields like criminology, psychology, sociology, economics, and accounting. Each discipline offers unique perspectives and frameworks, contributing to a rich but varied collection of theories. This interdisciplinary nature combined with the constant evolution of fraud – with new schemes emerging regularly – necessitates new theories to address these changing challenges and improve prevention and detection strategies.

Another key reason for the abundance of fraud theories lies in the focus on human behavior. Fraud often involves intricate human motivations, rationalizations, and decision-making processes. Theories attempt to explain why people commit fraud, exploring individual traits and internal pressures (psychological theories), the influence of social and environmental factors (sociological theories), and the impact of economic incentives (economic theories). This focus on the "why" behind fraudulent behavior, combined with the need to constantly refine strategies for combating fraud, leads to the development and refinement of numerous theoretical perspectives.

Required:

- (a) Name and briefly explain **FIVE (5)** fraud theories.

(15 marks)

(b) Identify **FIVE (5)** potential victims affected due to fraudulent financial statement.

(5 marks)

[20 marks]

Question 3

Syed Noh is the senior forensic accountant in charge of an investigation of Haruman Berhad, a construction company based in Butterworth. The following is an excerpt from an interview between Syed Noh and Yasmine, the sales clerk:

Syed Noh: What are the controls over the cash receipts that your company practiced?

Yasmine: The receptionist opens all mails received each day and makes sure that each cheque is crossed. He then gives me all the cheques to be posted into the sales ledger.

Syed Noh: What happened then?

Yasmine: I prepare a listing of all cheques received. Based on details of each cheque, I would update the respective customer's record in the sales ledger. After the cheques have been accumulated for a couple of days, I will give them to the receptionist who keeps all bank-in slip as a record, in case there are any queries later.

Syed Noh: Are there ever any difference between the cheque value and the associated invoice?

Yasmine: Sometimes there are. Usually it relates to a specific discount that has been authorised by me or the sales manager. If the differences are not material, I will normally raise a credit note to write-off the differences.

Syed Noh: What about reconciliations?

Yasmine: Of course! The cheque listings that I have prepared are reconciled to the cash recorded in the sales subsidiary ledger. This is then reviewed by the financial controller. The main reconciliation of the sales ledger is performed at the end of each year. This will be checked by the auditor during an annual audit.

Required:

(a) Discuss the strengths of the company's internal control system.

(5 marks)

- (b) Briefly discuss **FIVE (5)** weaknesses of the cash receipts and sales ledger system above and propose **FIVE (5)** corresponding *improvement* to control measures for each weakness identified.

(10 marks)

Answer in this format:

Weakness	Improvement
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- (c) Based on the COSO Framework, briefly explain any **TWO (2)** components of internal control system.

(5 marks)

[20 marks]

Question 4

Adapted from AMLWatcher.com:

Goldman Sachs, the global investment banking giant, has found itself embroiled in a legal tussle with Malaysia over the 1MDB scandal, which has been making headlines for years. This complex web of financial wrongdoing involves allegations of embezzlement and money laundering on an unprecedented scale. Malaysia has been investigating Goldman's role in the underwriting of 1MDB bond issues, and this scrutiny has now culminated in a legal dispute between the investment bank and the Malaysian government.

According to the Reuters, Goldman Sachs was fined \$600 million for its involvement with 1MDB – This high-stakes financial venture not only fattened Goldman's coffers but also led to hefty bonuses for some of its top executives. However, the bank has contended that members of the former Malaysian government and 1MDB officials misled them about the actual use of the funds from the bond sales.

This stance set the stage for a legal showdown, with Goldman agreeing in 2020 to a \$2.9 billion settlement with the United States Department of Justice (DoJ) over its involvement in the 1MDB scandal. Furthermore, its Malaysian unit pleaded guilty to a corruption charge.

In August 2018, Leissner pleaded guilty to conspiring to launder money and conspiring to violate the FCPA.

One key figure in this drama, Tim Leissner, a former partner at Goldman Sachs, pleaded guilty in 2018 to charges related to money laundering and violating anti-bribery laws. He agreed to cooperate with prosecutors but has yet to be sentenced. Roger Ng, Goldman's former top investment banker for Malaysia, on the other hand, pleaded not guilty to similar charges. He was sentenced to ten years in prison in the United States and was later brought to Malaysia to assist local investigations.

Later in 2020, Goldman Sachs agreed to pay \$3.9 billion to the Malaysian government to settle a criminal probe. Part of this agreement included a one-time interim payment of \$250 million, to be made if Malaysia had not received at least \$500 million in assets and proceeds by August 2022. Disputes have arisen concerning whether Malaysia reached this \$500 million threshold by the specified date and whether an interim payment was due.

This contentious issue has now led to Goldman filing for arbitration with the London Court of International Arbitration. Malaysia, under its new Prime Minister Anwar Ibrahim, has expressed a desire to review the settlement with Goldman and has even threatened legal action. This ongoing saga underscores the legal complexities and financial consequences that can arise from major financial scandals like the 1MDB affair.

Required:

- (a) Illustrate **ONE (1)** example of money laundering. Clearly identify the various stages involved to launder money.

(6 marks)

- (b) The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (2001) mentions about 'Politically Exposed Person or PEPs' as individual highly susceptible to money laundering activities.

Describe what are PEPs. Give **THREE (3)** examples on PEPs.

(4 marks)

- (c) A Suspicious Transaction Report (or STR) is a report made to Bank Negara about potentially suspicious activity as per Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (2001).

Suggest **FIVE (5)** possible red flags that may trigger a financial institution to perform STR from activities in relation to Politically Exposed Person.

(10 marks)

[20 marks]

Question 5

News clip:

HONG KONG, March 22 (Reuters) – Chinese authorities are investigating the role of PricewaterhouseCoopers (PwC) in the accounting practices of China

Evergrande Group, which has been accused of a \$78 billion fraud, according to a Bloomberg News report on Friday.

The authorities have not yet decided whether to penalize PwC, the report said, citing sources familiar with the matter. Chinese officials are reportedly in contact with former PwC accountants who worked on Evergrande's audits.

PwC has not yet responded to Reuters' request for comment.

Earlier this week, the China Securities Regulatory Commission (CSRC) fined Evergrande and its Chairman Hui Ka Yan 4.2 billion yuan (\$581.4 million) and 47 million yuan, respectively, for accounting and bond issuance fraud. Hui and other senior executives were also barred from the securities market.

The CSRC's investigation into Hengda Real Estate, Evergrande's onshore flagship unit, revealed that the company had inflated its revenue by 213.99 billion yuan (about half of its total revenue) in 2019. In 2020, sales were overstated by 350 billion yuan (78.5% of total sales). Evergrande had issued bonds based on these falsified figures.

PwC resigned as Evergrande's auditor in early 2022, citing disagreements over issues related to the audit of Evergrande's 2021 financial statements.

Both Evergrande and PwC have been under investigation by Hong Kong's audit regulator since 2021 over Evergrande's 2020 accounts.

With \$300 billion in total liabilities, Evergrande, the world's most indebted developer, defaulted on its offshore debt in late 2021. After 18 months of failed restructuring talks with creditors, Evergrande was ordered to liquidate by the Hong Kong High Court in January.

(Source : Adapted from Reuters, 22nd March 2024)

As a forensic accountant you have been tasked to give a talk to the board of a Government Link Company (GLC). Content of your talk shall focus on the three Fraud Triangle elements.

Required:

- (a) Explain to the board elements of Fraud Triangle.

(5 marks)

- (b) Suggest at least **FIVE (5)** action plans to counter **EACH** of the elements in Fraud Triangle.

(15 marks)

[20 marks]

END OF EXAMINATION PAPER