UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2025 SEMESTER

COURSE CODE	:	EAB30603
COURSE NAME	:	FORENSIC ACCOUNTING AND FRAUD EXAMINATION
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	26 JUNE 2025
TIME	:	9.00 AM – 12.00 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 FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

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

Question 1

Crest Wave Media Sdn Bhd produces radio programmes and podcasts for audiences across Peninsular Malaysia. During a routine internal audit, internal auditor Lina was tipped off by the finance assistant about unusually large "marketing" invoices. On investigation, Lina found that the CEO, Mr. Oliver, had personally acquired:

- A private jet membership at an international charter service
- A rare fine-art collection (valued at RM4.5 million)
- A beachfront villa in Langkawi

All three purchases were delivered to the CEO's private addresses but recorded in Crest Wave's general ledger as "Marketing and Promotional Expenses." Further, Lina discovered that in the latest corporate tax filing these items had been claimed as fully deductible advertising costs.

Required:

(a) Regarding his findings, advice on what actions should be taken by Lina.

(12 marks)

(b) Describe the term "whistleblower" with examples.

(4 marks)

(c) Explain **FOUR (4)** difficulties that are faced by a whistleblower that makes her reluctant to whistle blow against the management.

(4 marks)

[20 marks]

Question 2

Earnings Management (EM) occurs when management uses judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers (Healey and Wahlen, 1999).

Required:

(a) Identify **THREE (3)** possible stakeholders and imagine how does EM will make an adverse impact on their decision making.

(6 marks)

(b) Elaborate with examples **THREE (3)** methods of EM which likely to violate IFRS 15 revenue recognition.

Answer in this table format. An example has been provided for you.

No	***EM description***	***IFRS 15 violation***
1.	*Side letter agreements* - *Entering undisclosed side-letters granting price concessions or special rights, thereby overstating the transaction price and revenue.*	*Step 1 (contract boundaries & enforceability):* - *Because of the side-letter, the enforceable rights and obligations differ from the main contract*

IFRS 15 - 5 steps model. You may refer to this note to help with your answer.
Step 1: Identify the contract: contracts must be enforceable and have clear rights/obligations.
Step 2: Identify performance obligations: goods/services must be distinct.
Step 3: Determine transaction price: including variable consideration, constrained for reversals.
Step 4: Allocate transaction price: based on standalone selling prices of each PO.
Step 5: Recognize revenue: when (or as) control of each PO is transferred to the customer.

(9 marks)

(c) Based on your past reading of EM, explain **TWO (2)** possible motivation why management employ EM in their reporting

(5 marks)

[20 marks]

Question 3

a) Choose and elaborate any **TWO (2)** of the following Fraud Theories:
- Fraud Diamond theory
- GONE theory
- MICE theory

(10 marks)

b) According to Association of Certified Fraud Examiner (ACFE), it is common for occupational fraudsters to exhibit certain behavioral traits or characteristics while committing their schemes. In 92% of the cases we analyzed, the fraudster displayed at least one of these behavioral red flags, and in 64% of cases, multiple red flags were observed before the fraud was detected.

Required:

Describe **FIVE (5)** of these possible behavioral changes affecting a potential fraudster.

(10 marks)

[20 marks]

Question 4

Anti-money laundering legislation is essential both to break the economic backbone of crime and to safeguard the health, stability, and reputation of financial systems worldwide. By removing the "escape hatch" through which illicit gains enter the legitimate economy, governments and regulators reinforce the rule of law and protect societies from the harms of organized and financial crime.

Required:

(a) Discuss the objective of Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (2001)

(3 marks)

(b) Suppose a drug trafficker has illicit funds that need to be laundered. Illustrate how this would be carried out through the three stages of money laundering.

(9 marks)

(c) Elaborate **FOUR (4)** examples red flags for money laundering which warranted reporting institution to make Suspicious Transaction Report.

(4 marks)

(d) Predict what will happen in a country without any anti-money laundering enforcement.

(4 marks)

[20 marks]

Question 5

Figure 1: Fraud Prevention Model

(a) A mid-sized manufacturing firm has experienced several small thefts of raw materials. Design a fraud-prevention program for them that incorporates at least three elements from Figure 1 (e.g., hiring practices, employee assistance, internal controls).

Explain how each chosen element would work in this context and why you selected it.

(10 marks)

(b) A global supplier network is prone to collusion between purchasing staff and vendors. Apply the vendor-policy communication strategy (right-circle item 2) and the "expectation of punishment" overlap (item 4) to draft a brief policy memo.

(10 marks)

[20 marks]

END OF QUESTION PAPER