



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2025 SEMESTER**

COURSE CODE	: EAB30603
COURSE NAME	: FORENSIC ACCOUNTING AND FRAUD EXAMINATION
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 24 JANUARY 2026
TIME	: 9.00 AM – 12.00PM
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 FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

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

Question 1

Megalodon Sdn. Bhd. shut down one of its four factories six months ago due to deteriorating market conditions. All staff at the factory were declared redundant on the date of closure. While monitoring the monthly management's accounts, Linda, the internal auditor, performed analytical procedures on salary expenses and determined that the monthly total payroll expenses had decreased by 3% in the months following the factory's closure. This was lower than the expected reduction, given that 25% of the company's total staff had been declared redundant.

Initial investigations by the internal auditor revealed that many employees who had been declared redundant had remained on the payroll records, and salary payments for these individuals were still being made every month. All the payments were being credited into the same bank account. As soon as the internal auditor realized that there was a possibility of fraud, she informed the managing director who immediately stopped any further payments in respect of the redundant employees. Megalodon Sdn. Bhd. has contacted your firm to investigate this matter. You are further informed that the senior accountant has been absent from work and has not been traced since the commencement of the initial investigations. It is believed that she might have been involved in the suspected fraud.

Required:

- (a) Describe **TWO (2)** objectives of a forensic investigation. (4 marks)
- (b) Describe **FOUR (4)** purposes of forensic investigation in relation to fraud investigation. (8 marks)
- (c) Explain **FOUR (4)** steps in undertaking the forensic investigation for Megalodon Sdn. Bhd. (8 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) Define what is meant by earnings and its importance to the shareholders. (4 marks)
- (b) Explain the accounting policy choice by management that can be considered as earnings management. (4 marks)
- (c) Big bath accounting is an earnings management strategy where management intentionally overstates losses in a bad year so that future periods appear more profitable.
Explain **THREE (3)** possible motivations why management engages in big bath accounting. (6 marks)
- (d) Discuss the differences between big bath accounting and legitimate impairment recognition. (6 marks)
- [20 marks]**

Question 3

- (a) Discuss the key theoretical frameworks used to explain why managers commit accounting fraud using the following Fraud Theories:
- Fraud Triangle theory
 - GONE theory
- (10 marks)

- (b) Identify **FIVE (5)** common fraud schemes that occur in the revenue cycle.
(5 marks)
- (c) Discuss **FIVE (5)** internal control measures that can prevent the revenue cycle fraud identified above.
(5 marks)
[20 marks]

Question 4

You are involved as an expert witness in a case of alleged fraud by top management against the corporation. Supposedly, working in collusion, top management defrauded the company of RM5 million over two years. The allegations suggest that fraud involved stealing RM5 million and then concealing the fraud by overstating expense accounts and manipulating balance sheet accounts.

Following the initial discovery of this alleged fraud, shareholders of the company brought a lawsuit against top management. The prosecuting attorney for the shareholders has requested you to assist as an expert witness in this case. The case has already moved into the discovery phase.

Required:

- (a) Explain **FOUR (4)** roles of an expert witness in a corporate fraud litigation case.
(8 marks)
- (b) Discuss the possible accounting methods top management could have used to conceal the RM5 million fraud through overstated expense accounts and manipulated balance sheet accounts. Provide suitable examples.
(6 marks)
- (c) Suggest **THREE (3)** potential challenges faced by the prosecuting attorney and the expert witness in proving collusion and intent in financial statement fraud committed by top management.
(6 marks)
[20 marks]

Question 5

As a result of a system audit performed by the auditor at Bahagia Medical Centre corporate offices, it was discovered that Kyle, one of the payroll supervisors, had system access rights to transaction codes used by the Human Resources staff. Consequently, it was determined that Kyle took advantage of the situation and created a fake employee to whom she was issuing a pay cheque every two weeks; only the cheques went to Kyle's banking account. Andrew, an investigator working on the case, did intensive research, the details of which led him to believe that Kyle was embezzling. Andrew is about to go in for a final interview with Kyle. Kyle had been interviewed before and denied he was involved in the scheme.

Required:

- (a) Describe **FIVE (5)** steps that Andrew would take to investigate this suspected embezzlement. (10 marks)
- (b) Suggest **FIVE (5)** effective methods that could have helped in dealing with an interview subject from whom you are seeking admission. (10 marks)
- [20 marks]**

END OF QUESTION PAPER