



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2025 SEMESTER**

COURSE CODE	: EAB41403
COURSE NAME	: INTEGRATED CASE STUDY
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 23 JANUARY 2026
TIME	: 03.00 PM – 06.00PM
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 **TWO (2)** case studies.
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 SEVEN (7) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

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

Question 1

Case Study: Kopi Harapan Berhad (KHB)

The Company Profile

Kopi Harapan Berhad (KHB), established in 2005, has rapidly grown from a single artisanal coffee shop in Kuala Lumpur to a publicly listed enterprise and a significant player in the Malaysian food and beverage sector. KHB operates a chain of 80 retail outlets across Peninsular Malaysia and Sabah, alongside a state-of-the-art central processing facility in Selangor. The company's product portfolio is extensive, including premium roasted coffee beans (both local *Liberica* and imported *Arabica* varieties), ready-to-drink (RTD) coffee and chocolate beverages, pre-packaged biscuits, and a popular line of freshly baked cakes and pastries.

KHB's market position is built on its promise of "Farm-to-Cup Freshness," emphasising quick expansion to capture the growing urban middle-class market. This aggressive growth strategy is highly dependent on securing capital and achieving consistently high quarterly reported profits.

Financial Pressure and Figure Falsification

The pressure to meet aggressive market expectations, particularly a 20% year-on-year growth target set by CEO Datuk Seri Amin, has strained the Finance Department. The Cost Accounting division, led by the newly appointed but highly ambitious Management Accountant, Mr. Loo, has become a nexus of questionable practices.

In Q3 2024, when actual sales figures lagged expectations, Mr. Loo instructed his team to manipulate the finished goods inventory valuation. Using the absorption costing method, which KHB employs for external reporting, they capitalised fixed overheads far in excess of normal capacity to artificially lower the Cost of Goods Sold (COGS). This was achieved by systematically overstating the units of production in the capacity utilisation denominator,

thereby reducing the applied fixed overhead rate per unit. This "managing" of inventory figures led to a material overstatement of Q3 operating profit, a clear breach of generally accepted accounting principles (GAAP) and the company's internal controls over financial reporting (ICFR).

Furthermore, the Sales team, in collaboration with the Finance Department, began a practice of "channel stuffing", shipping large quantities of RTD beverages to distributors just before the quarter end. While these goods were recorded as sales, the contract terms permitted the distributors generous, unrecorded rights of return for up to six months, clearly violating the revenue recognition principle.

Supply Chain and Environmental Crisis

KHB's procurement of specialty *Arabica* beans from a key supplier in Kalimantan (Indonesia) is becoming a major environmental liability. The supplier, 'Puncak Agri,' has been linked to recent rapid deforestation to convert land to monoculture coffee plantations. This practice significantly increases soil erosion and habitat loss, a violation of KHB's stated Corporate Social Responsibility (CSR) policy.

At the Selangor processing facility, the company faces two significant environmental issues:

1. **High Waste:** The popular single-serve coffee capsules and RTD packaging generate massive amounts of non-biodegradable waste. Despite the company's adoption of a minimal Environmental Management Accounting (EMA) system to track utilities, the actual costs of waste disposal and the long-term environmental liability are grossly understated. The current cost accounting system treats waste disposal merely as a lump-sum administrative overhead.
2. **Palm Oil Controversy:** KHB uses large volumes of palm oil derivatives in its biscuit and cake production, sourced from suppliers without robust Roundtable on Sustainable Palm Oil (RSPO) certification. This exposes KHB to immense reputational risk, particularly with environmentally conscious Gen Z consumers.

Internal Control Breakdown and Procurement Fraud

The 'Tone at the Top' is aggressive and focused solely on short-term financial performance. The Board of Directors (BoD) and the Audit Committee are largely non-executive but lack industry expertise and possess a passive stance, routinely accepting management assurances without critical challenge.

This lax environment enabled procurement fraud by Mr. Jason Tan, the Logistics Manager. Mr. Tan created a fictitious vendor, "J-Trans Logistics," which purported to provide last-mile delivery services. Mr. Tan then submitted invoices from J-Trans for services never rendered, which were approved by the Head of Operations who was a long-time associate and accomplice. Since the company's purchasing controls were weak, lacking mandatory rotation of purchasing agents, inadequate segregation of duties between procurement and payment processing, and a high reliance on paper documentation, the fraud went undetected for 18 months, resulting in an estimated loss of RM 1.2 million. The internal audit function, which reports functionally to the Audit Committee but administratively to the CFO (a close friend of the CEO), is severely under-resourced and its reports are often dismissed.

KHB is now facing a class-action lawsuit from a consortium of NGOs regarding its environmental practices and has received a query from the securities regulator regarding its reported inventory and revenue figures. The crisis threatens not only the share price but the very sustainability of Kopi Harapan Berhad. The current fixation on short-term profit has led to financial manipulation and environmental negligence.

Required:

- (a) The Malaysian F&B market is dynamic. Apply a relevant strategic analytical tool (e.g., Porter's Five Forces or PESTEL) to the industry context of KHB and briefly discuss **FOUR (4)** external forces or factors that pose the greatest risk to KHB's long-term competitive position.

(10 marks)

- (b) Propose a more holistic performance management system for KHB by developing a Balanced Scorecard (BSC). For each of the **FOUR (4)** perspectives, identify **TWO (2)** specific and measurable Key Performance Indicators (KPIs) that address the issues raised in the case study. Justify the inclusion of each KPI.

(10 marks)

- (c) Critique KHB's current minimal approach to Environmental Management Accounting (EMA). Recommend **ONE (1)** specific environmental control mechanism (e.g., Waste Accounting, Life Cycle Costing, or Material Flow Cost Accounting) that KHB should implement immediately to address its high waste and palm oil controversies. Detail how this mechanism would generate meaningful cost information and influence management decisions towards sustainability.
- (10 marks)
- (d) Analyse the procurement fraud committed by Mr. Jason Tan.
- i. Identify **TWO (2)** specific internal control principles that were clearly violated.
 - ii. Propose **TWO (2)** robust preventive control mechanisms KHB should implement to prevent similar procurement fraud in the future.
- (10 marks)
- (e) Critically evaluate the role of the Board of Directors (BoD) and the Audit Committee in the current crisis at KHB, relating to 'Tone at the Top' which has contributed to both the financial falsification and the internal control breakdown.
- (10 marks)
[50 marks]

Question 2

Case Study: MetroRise Holdings Berhad (Malaysia)

MetroRise Holdings Berhad is a diversified Malaysian conglomerate involved in property development, construction, and renewable energy investments. Founded in 1998, it grew rapidly on the back of government infrastructure projects and foreign investments. The company is listed on Bursa Malaysia's Main Market, employing over 3,000 people across ASEAN.

For the year ended 31 December 2024, MetroRise reported revenue of RM1.25 billion and profit before tax of RM65 million, which is a 20% decline from the previous year. Analysts attributed this to project delays, cost overruns, and questionable investment decisions.

The Chief Financial Officer (CFO), a former investment banker, recently introduced a high-risk investment in a solar energy subsidiary, SolarTech Nusantara Sdn. Bhd., located in

Indonesia. The project was supposed to generate a 15% ROI annually, but the latest figures reveal a loss of RM8 million due to unverified supplier contracts and fluctuating currency exposure. The CFO insists it was a “strategic long-term move,” despite no proper feasibility study being documented.

Meanwhile, internal auditors flagged potential irregularities in construction project accounting. Several subcontractor payments were duplicated in the general ledger, inflating costs by approximately RM12 million. In addition, two senior project managers were found approving invoices for companies allegedly owned by their relatives raising concerns about related-party transactions and fraud risk under MFRS 124 and ISA 240.

A review of MetroRise’s financial statements reveals inconsistencies in revenue recognition. The Property Development Division applied percentage-of-completion (POC) method for ongoing projects, but auditors found instances where revenue was recognised before meeting the criteria under MFRS 15. Deferred costs were capitalised without proper documentation, possibly overstating assets by RM9 million.

The external auditors noted a growing gap between reported and actual cash flows. The statement of cash flows reported strong operating inflows (RM90 million), yet supplier complaints suggested months-long payment delays. The audit committee questioned whether aggressive working-capital presentation was masking liquidity issues.

From a strategic standpoint, MetroRise’s PESTEL environment is becoming volatile. Rising interest rates have increased financing costs by 2%. Construction material prices surged by 10% due to global supply chain pressures, and Malaysia’s implementation of the Corporate Sustainability Reporting Directive (CSRD) now requires enhanced ESG disclosure by 2025. Yet, MetroRise’s sustainability report remains minimal, with vague metrics and no third-party assurance.

The Board is also under public pressure after whistleblower allegations surfaced, claiming the CFO received a “performance incentive” from a foreign supplier linked to SolarTech’s equipment purchases. The CEO denies any misconduct, calling it “competitive procurement.”

To restore investor confidence, MetroRise’s Board has appointed a task force to review its strategic performance, internal controls, audit processes, and investment governance. You are engaged as a consultant to assist in diagnosing key issues and advising on corrective action.

In so far, the financial performance analysis is based on the data given below

Item	2023	2024
	(RM '000)	(RM '000)
Revenue	1,500,000	1,250,000
Profit before tax	80,000	65,000
Current assets	450,000	400,000
Current liabilities	300,000	340,000
Total assets	1,200,000	1,350,000

It should be noted that the standard ratios used in the company's key financial highlights include profit margin, return on capital employed (ROCE), current ratio and asset turnover.

As for the capital expenditure, an investment in an equipment at a cost RM25 million is under consideration. Its expected cash inflows is RM6 million per year for 5 years, at a discount rate 10%.

There are concerns from the board on issues such as revenue recognition, duplicate payments, related-party transactions, and weak segregation of duties.

The management is aware about the OECD Principles of Corporate Governance and MCCG 2021, and is interested in governance reforms, including Audit Committee oversight, Whistleblower mechanism, and Sustainability reporting enhancements aligned with IFRS S1/S2 and SDG 16 (Peace, Justice, and Strong Institutions).

Required:

- (a) Evaluate the strategic position of MetroRise through SWOT and Ratio Analysis, (10 marks)
- (b) Explain **TWO (2)** major audit and internal control risks in MetroRise, relating each to relevant ISA standards. (10 marks)
- (c) Recommend appropriate audit procedures to mitigate the risks as in (b) above. (10 marks)

(d) Evaluate the SolarTech Nusantara investment using a strategic-financial lens.
(10 marks)

(e) Critically assess MetroRise's governance effectiveness in ensuring transparency, accountability, and ethical culture.
(10 marks)
[50 marks]

END OF EXAMINATION PAPER