CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB41403
COURSE NAME	:	INTEGRATED CASE STUDY
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	30 JUNE 2026
TIME	:	2PM – 5PM
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 EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

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

Question 1

Case Study: Rimba Styles (RS) - The Entrepreneurial Spark and Initial Growth

Introduction and Case Background

Rimba Styles (RS) began as a small home-based venture in 2021, specialising in ethically sourced, traditional batik-inspired apparel sold exclusively through social media and a custom-built e-commerce platform. The founders, Mariam and Daud, combined their skills in fashion design and digital marketing to capitalise on the post-pandemic surge in online shopping within Malaysia. Within two years, RS grew into a thriving Micro-Small-Medium-Entreprise (MSME) with a loyal customer base and a reputation for high-quality, sustainable garments. From an accounting perspective, the business initially showed promising results: an average net profit margin of 18 per cent (18%) and a rapid inventory turnover that signalled strong market demand.

By the end of 2024, RS had successfully expanded its product range and began exploring regional markets. This growth was supported by a government-backed MSME loan of RM150,000 from a local development bank, intended to fund a dedicated warehouse in Shah Alam and a small team of fulfilment staff. Mariam managed the creative and production side, while Daud oversaw the financial operations and digital infrastructure. On paper, Rimba Styles was a success story of the Malaysian digital economy, achieving a 40 per cent (40%) year-on-year revenue increase and maintaining a healthy current ratio that suggested strong operational liquidity.

The Unravelling: Fraud and Partnership Friction

However, the rapid scaling of the business masked significant internal control weaknesses. Daud, who possessed sole access to the company's digital payment gateways and accounting software, began to bypass standard verification protocols. A mid-2025 internal review revealed a series of suspicious refund transactions and payments to non-existent suppliers, a classic form of internal invoice fraud often seen in small businesses with limited oversight. It was later discovered that Daud had redirected approximately RM45,000 of company funds to cover personal losses in high-risk cryptocurrency investments.

The discovery of this fraud led to a catastrophic breakdown in the partnership. Mariam, feeling betrayed, demanded a formal dissolution of the partnership, while Daud argued that his creative accounting was merely a temporary measure to manage personal cash flow issues. The resulting legal and emotional friction brought RS's strategic decision-making to a standstill. Furthermore, the lack of a formal partnership agreement meant there were no clear exit clauses or dispute resolution mechanisms, leaving the future of the brand in legal limbo while operational costs continued to mount. The tension reached its peak when Daud refused to grant Mariam access to the bank tokens, effectively freezing the company's ability to pay local fabric suppliers in Terengganu.

Financing Challenges and the Loan Crisis

The internal turmoil coincided with the first major repayment milestone for the RM150,000 MSME loan. Due to the misappropriated funds and the legal fees associated with the partnership dispute, RS's cash reserves were severely depleted. The precision required for MSME debt servicing was missing; the business missed two consecutive monthly repayments, leading the bank to reclassify the loan as a Non-Performing Loan (NPL). RS now faces a potential foreclosure on its warehouse equipment, which was used as collateral. The bank has issued a final notice of demand, and the Credit Bureau ratings for both partners have plummeted, making any further traditional financing impossible.

Compounding this was a series of external loan scams where fake financial advisors, targeting struggling Malaysian MSMEs, attempted to trick Mariam into paying upfront fees for emergency refinancing deals. These 'scam-consultants' exploited Mariam's desperation, almost leading her to share sensitive company data before she was stopped by a professional auditor. Despite these challenges, there are positive insights: RS's customer loyalty remains high, and the underlying business model, direct-to-consumer ethical fashion, is still fundamentally profitable. The brand recently received a major wholesale inquiry from a reputable international boutique in Singapore, offering a potential lifeline if Mariam can regain control of the business and restructure its debt.

Strategic Crossroads and Future-Proofing

Mariam now stands at a strategic crossroads. To save Rimba Styles, she must move beyond simple bookkeeping and adopt sophisticated strategic tools to analyse the business's position. She needs to decide whether to seek a new partner, transition to a private limited company (Sdn Bhd) structure to protect personal assets, or undertake a radical digital turnaround that involves implementing robust AI-driven fraud detection systems and transparent ESG reporting to regain the trust of lenders and investors. This transition is not merely about survival but about professionalising the entire corporate governance structure of the MSME to prevent a recurrence of the current crisis.

The finance department, now under temporary external management, must align with the operational team to create a recovery plan. This involves not only clearing the fraud-related losses but also ensuring that the expansion programme is future-proofed against further digital vulnerabilities and shifts in consumer spending. The goal is to transform RS from a fragile partnership into a resilient, corporate-standard MSME that can survive the complexities of the modern digital marketplace. Mariam is also considering a 'Sustainability Reporting' initiative to attract impact investors who value ethical governance as much as profitability, potentially allowing her to exit the predatory loan cycle and rebuild the brand's reputation.

Required:

(a) Critique the internal control environment of Rimba Styles by identifying the specific systemic weaknesses that allowed the invoice fraud to occur and justify the selection of two digital analytical tools that would better enable the company to detect such anomalies in real-time.

(10 marks)

(b) Evaluate the strategic implications of the partnership failure between Mariam and Daud by discussing how the lack of a formal partnership agreement and exit clauses has impacted the liquidity required to meet the company's short-term RM150,000 loan obligations.

(10 marks)

(c) Develop a comprehensive debt-restructuring and strategic recovery plan that Mariam can present to the bank to prevent loan foreclosure, specifically detailing how the finance department will collaborate with marketing to utilise the Singapore boutique inquiry as a catalyst for growth.

(10 marks)

(d) Construct a Strategic Risk Management Framework (SRMF) for Rimba Styles by identifying one specific mitigation strategy for each key risk area of Financial, Operational, Legal, and Reputational to demonstrate how the business can be future-proofed against internal fraud and external market shifts.

(10 marks)

(e) Appraise the feasibility of a Digital Turnaround for Rimba Styles by utilising Life Cycle Costing (LCC) to compare the cost of maintaining current manual accounting processes against the long-term investment in AI-driven fraud detection and secure cloud-based financial systems.

(10 marks)

[50 marks]

Question 2

Case Study: The Cracks in the Facade at Zenith Global Holdings (ZGH) PLC

Introduction and case background

Zenith Global Holdings (ZGH) PLC is a diversified Malaysian conglomerate listed on the Main Market of Bursa Malaysia, primarily involved in sustainable energy solutions and infrastructure. For the past five years, ZGH has consistently reported double-digit growth in Earnings Per Share (EPS). However, a forensic look at their financial statements reveals that this growth was heavily supported by a high gearing ratio of 1.8, far exceeding the industry average of 0.6. The company's aggressive 'Vision 2030' plan was funded by RM2 billion in high-interest corporate bonds, leaving the company with a dangerously low interest cover ratio of 1.2.

From a distance, ZGH appeared to be a model of corporate success. In reality, the Board of Directors implemented a 'High-Performance or Exit' policy to keep the share price inflated. This HR strategy created an environment where the finance department, led by the Group CFO, Mr. Lim, was forced to engage in Off-Balance Sheet financing. By shifting debt to Special Purpose Vehicles (SPVs) that were not consolidated, ZGH managed to camouflage its true leverage, misleading both the credit rating agencies and the investing public.

The Power Structure and Top Management

At the apex of ZGH's hierarchy is the Group CEO, Tan Sri Rashid, a dominant figure who chairs the Executive Committee and hand-picks the Board. Reporting directly to him is the Group CFO, Mr. Lim, and the Executive Director of Operations, Encik Zulkifli, who is also Tan Sri Rashid's brother-in-law. This top tier is supported by the Group HR Director, Datin Sofia, a long-time family associate. This tight-knit inner circle operates with absolute authority, often bypassing the formal Board committees. Below them sits the Senior Vice President of Finance, Mr. Chen, and the Group Internal Auditor, Puan Aminah, both of whom are entrusted with overseeing the consolidation of the group's vast network of subsidiaries across Southeast Asia.

Middle Management and the Cost Control Mandate

The 'engine room' of ZGH is managed by a layer of ambitious Middle Managers, primarily consisting of Divisional Controllers and Regional Operations Managers. These individuals are strictly entrusted with the mandate of cost rationalisation for aggressive expense reduction to protect the company's thin operating margins. They are given individual cost-to-income targets and are empowered to authorise or block departmental spending. However, this entrustment is double-edged; while they are expected to scrutinise every ringgit spent by junior staff, they are simultaneously pressured by Mr. Lim to reclassify operational losses as capital expenditure to keep the divisional books appearing profitable. This middle management layer effectively acts as the enforcement arm for the CFO's financial engineering, often being forced to choose between professional integrity and achieving the cost-reduction bonuses promised by Tan Sri Rashid.

The Discovery: Financial Camouflage and the Fraud Diamond

The facade began to crumble when ZGH faced a sudden liquidity crunch. A spike in global interest rates caused the servicing costs of their RM2 billion debt to sky-rocket. Simultaneously, an anonymous whistle-blower from the internal audit team leaked evidence suggesting that ZGH had recorded RM85 million in fictitious revenue through round-tripping schemes with shell companies. This was a desperate attempt to inflate the Operating Cash Flow to meet bank covenants. In order to understand this failure, analysts point to the Fraud Diamond. The pressure was the need to maintain bank covenants to avoid immediate loan recall. The opportunity arose from a weak Audit Committee and Mr. Lim's absolute control over the consolidated accounting software. The rationalisation was that they were 'protecting the shareholders' from a temporary cash flow mismatch. Finally, the capability was provided by the senior team's intimate knowledge of MFRS 10 and MFRS 13, which they used to manipulate the fair value of assets and hide liabilities in SPVs.

Human Resource (HR) Dynamics and Behavioural Failures

The crisis also highlighted deep-seated behavioural issues. Many middle-level accountants admitted they were aware of the window dressing but remained silent due to fear-based leadership. The HR department had been weaponised to enforce silence; anyone questioning the suspicious inter-company transfers was labelled a non-performer and phased out. This behavioural breakdown effectively neutralised the company's internal controls. The human element which is the most critical line of defence had been compromised by a culture of intimidation and unethical loyalty to Tan Sri Rashid.

Strategic Crossroads and the Recovery Path

ZGH now faces a threat as the Securities Commission has suspended trading of its shares, and the bank has triggered a cross-default clause on all outstanding loans. The new interim leadership must decide whether to pursue a debt-for-equity swap, divest the failing subsidiaries at a fire-sale price, or undertake a radical strategic transparency initiative. The challenge is to rebuild the balance sheet while simultaneously purging the toxic culture that allowed financial camouflage to be mistaken for corporate success.

Institutionalised Favouritism and Nepotism

The internal investigation further uncovered a culture of institutionalised favouritism that by-passed the company's stated meritocracy. It was revealed that several key executive positions within the Indonesian subsidiary were filled not by qualified professionals, but by relatives and close associates of Tan Sri Rashid. This 'inner circle' enjoyed immunity from the 'High-Performance or Exit' policy that terrorised other employees. Nepotism extended into the procurement department, where multi-million ringgit contracts for consultancy services were awarded to companies owned by Tan Sri Rashid's family members, often without a competitive bidding process.

This favouritism created deep resentment among the professional staff, leading to the resignation of several high-calibre accountants who refused to approve these related-party transactions. Those who stayed were often those willing to look the other way in exchange for rapid promotions or performance bonuses. This loyalty-over-competence model effectively hollowed out the company's intellectual capital, replacing professional scepticism with blind obedience to the CEO's family interests. The HR department, led by a director who was also a close family friend of the Chairman, acted as a gatekeeper, ensuring that only those deemed 'loyal' were promoted to positions with oversight of the company's complex financial structures.

The Erosion of Ethics and Professionalism

The final blow to ZGH's reputation was the revelation of how professional ethics had been systematically dismantled. The internal audit team, which should have served as an independent watchdog, had its budget slashed and its reporting lines altered. The Head of Internal Audit reported directly to Mr. Lim rather than the Audit Committee, a clear violation of the Malaysian Code on Corporate Governance (MCCG). Professionalism was further compromised when it was discovered that senior management had influenced the external audit process by providing 'incentives' to certain members of the audit firm, leading to a 'familiarity threat' that blinded the auditors to the fictitious revenue.

Junior accountants at ZGH recounted stories of being ordered to adjust depreciation schedules or reclassify personal expenses as business assets under the threat of losing their jobs. The Malaysian Institute of Accountants (MIA) By-Laws on Professional Ethics were treated as mere suggestions rather than mandatory standards. This wholesale abandonment of integrity meant that the professional designation held by ZGH's leadership became a tool for deception rather than a badge of trust. The ultimate failure of ZGH was not just financial; it was a total collapse of the ethical framework that is supposed to underpin a Public Limited Company.

The challenge is to rebuild the balance sheet while simultaneously purging the toxic culture of favouritism and restoring the professional ethics that were sacrificed at the altar of Tan Sri Rashid's personal ambition.

Required:

(a) Critique the corporate governance failures at Zenith Global Holdings (ZGH) PLC by applying the four elements of the Fraud Diamond to explain how the internal environment facilitated the multi-million ringgit financial camouflage.

(10 marks)

(b) Evaluate the impact of the 'High-Performance and Exit' HR policy on the ethical behaviour of the finance team and discuss how this behavioural pressure led to the systematic over-ride of internal accounting controls.

(10 marks)

(c) Develop a comprehensive corporate recovery strategy that the interim leadership can implement to restore investor confidence, specifically detailing how strategic transparency and a revised whistle-blowing framework will serve as the foundation for the turnaround.

(10 marks)

(d) Appraise the financial health of ZGH PLC by analysing the risks associated with its high gearing ratio and low interest cover, and propose a strategic plan to re-negotiate bank covenants to avoid total insolvency.

(10 marks)

(e) Assess the feasibility of divesting the underperforming subsidiaries by utilising Life Cycle Costing (LCC) to compare the cost of a quick-sale exit against the long-term capital required to rehabilitate the subsidiary's operations and ethical standards.

(10 marks)

[50 marks]

END OF EXAMINATION PAPER