SCHOOL OF ACCOUNTING AND BUSINESS
BSc. (APPLIED ACCOUNTING) GENERAL / SPECIAL DEGREE
PROGRAMME

YEAR IV SEMESTER I – INTAKE II
END SEMESTER EXAMINATION – JULY 2017

AFM 41430 Forensic Accounting and Investigations

Date	:	13th July 2017
Time	:	5.30 p.m. - 8.30 p.m.
Duration	:	Three (03) hours

Instructions to Candidates:

- Write the Index Number in the space provided at the top of this sheet. Do not write your name anywhere in this answer script.

- This paper consists of two parts (I and II)

- **Part I**: Answer **ALL** questions in this paper itself.

  Part II: Answer **ALL** questions

- The total marks for the paper is 100.

- The marks for each question are shown in brackets.

- Answers should be written neatly and legibly.

Question No. 01

1. The following are elements of the fraud triangle, except for:
   a. Motivation
   b. Realisation
   c. Rationalisation
   d. Opportunity

   Answer: ………..

2. Financial statement frauds are mostly committed by:
   a. Junior Executives
   b. Senior Executives
   c. Shareholders
   d. Directors

   Answer: ………..

3. Lapping is a common type of fraud committed by cashiers. It is defines as:
   a. Taking funds before they are recorded into company records
   b. Abusing a business privilege for personal gain
   c. Theft is covered with another person's check (and so on)
   d. Payments made to fake company

   Answer: ………..

4. Having a "Code of Ethics" in a company, is a:
   a. Detective Control
   b. Corrective Control
   c. Preventive Control
   d. Ethical Control

   Answer: ………..

5. Which of the following is not a component of the COSO Internal Controls Framework**:**
    a. Planning and Gathering information
    b. The control environment
    c. Risk assessment
    d. Control activities or procedures

    Answer: ………..

6. "Heresay" evidence is defined as:
    a. An original statement
    b. An out of court statement
    c. A statement that is always accepted by a court
    d. A statement given by a witness to a crime

    Answer: ………..

7. Which of the following is a court of 'First Instance"
    a. Supreme Court
    b. High Court
    c. Court of Appeal
    d. District Court

    Answer: ………..

8. When employees with signature authority write fraudulent cheques for their own benefit, it is called a:
    a. Forged maker scheme
    b. Forged endorsement scheme
    c. Altered PAYE scheme
    d. Authorised maker scheme

    Answer: ………..

9. Under which category of frauds does "Extortion" belong to:

    a. Asset Misappropriation

    b. Bribery and corruption

    c. Forcibly taking cash

    d. Financial statement fraud

Answer: ………..

10. Based on surveys carried out on frauds fraudsters are generally :

    a. Female

    b. Male

Answer: ………..

[Total 20 marks]

Part II

Answer **ALL** questions

Question No. 02

Unlike in the past, today frauds occur more frequently in companies. Therefore effective internal controls need to be implemented by the management to detect fraud and prevent.

a. Define the term "Fraud".

[2 marks]

b. Briefly state five internal controls a company can implement to prevent fraud.

[5 marks]

c. Briefly state five internal controls a company could implement to detect fraud.

[5 marks]

d. If segregating duties among employees is not possible in a company what compensating controls could a company implement. State four compensating controls.

[4 marks]

[Total 16 marks]

Question No. 03

Gamini has joined Fernando & Sons, a trading company, he is specialized in the use of data analytics software. His directors have requested him to present a paper on how data analytics software can be used to detect frauds.

a. Prepare a paper/memo to the directors on how software can be used in fraud detection.

[5 marks]

b. Describe the 3 stages in anti-money laundering.

[5 marks]

c. Briefly discuss five money laundering schemes.

[3 marks]

d. Briefly state the role of banks and financial institutions play in combating money laundering

[3 marks]

[Total 16 marks]

Question No. 04

Generally financial statement frauds are committed by the directors or senior management of a company to enhance the financial performance or position of the company. In order to achieve such objectives, companies may fraudulently strengthen/ over value the balance sheet.

a. State the two main types of revenue related frauds

[2 marks]

b. Briefly state four examples of how revenue could be prematurely recognized in the Income Statement.

[4 marks]

c. Discuss the role of the external auditor in fraud detection.

[5 marks]

d. Briefly state five red flags of fictitious asset valuations in financial statement frauds.

[5 marks]

[Total 16 marks]

Question No. 05

In an instance of a fraud occurred in an organisation a forensic audit may be launched forming a forensic audit team. Thereafter the planning of the audit needs to take place to ensure that the evidence is gathered properly.

a. Briefly describe six factors to consider when formulating the "forensic audit" team.

[3 marks]

b. Discuss the importance of "planning" in the gathering of evidence in a forensic audit.

[6 marks]

c. In the gathering of evidence what is meant by "Chain of Custody", and briefly explain the validity of the procedure.

[2 marks]

d. Briefly discuss the importance of digital evidence and any extra precautions on them to a forensic auditor.

[5 marks]

[Total 16 marks]

Question No. 06

Cyber Security is of utmost importance and companies in every industry have invested significantly to prevent their systems from being attacked by hackers.

a. State and briefly describe five types of E-Commerce frauds

[5 marks]

b. Define the following terms
    i. Phishing
    ii. Worm
    iii. Sniffer Attack
    iv. Botnet Attack

[4 marks]

c. Briefly describe six steps a company could take to prevent or detect e-commerce frauds.

[3 marks]

d. Briefly explain the "rules of evidence" including the "rule of best evidence".

[4 marks]

[Total 16 marks]