



No. of Pages - 07

No of Questions - 07

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

YEAR IV SEMESTER I – INTAKE I
END SEMESTER EXAMINATION – JANUARY 2017

AFM 41430 Forensic Accounting and Investigations

Date : 20th January 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 three parts (I,II and III)
- **Part I:** Answer **ALL** questions in this paper itself.
Part II: Answer **ALL** questions
Part III: Answer any **ONE** out of the two questions given
- The total marks for the paper is 100.
- The marks for each question are shown in brackets.
- Answers should be written neatly and legibly.

Part I

Answer **ALL** questions

Question No. 01

1. Which of the following is a least skill required by a Forensic Accountant?
 - a. Auditing Skills
 - b. Criminology
 - c. IT Skills
 - d. Sociology

2. Which is not an element of the fraud triangle
 - a. Pressure
 - b. Embezzlement
 - c. Rationalisation
 - d. Opportunity

3. Errors are always an indication of intentional fraud.
 - a. True
 - b. False

4. The hard drive of a compromised Desktop/PC was given to Nimal, a forensic examiner, for analysis. If Nimal cannot identify and confirm who provided him with the computer's hard drive for analysis, then:
 - a. The hard drive must be rehashed.
 - b. The best-evidence rule is invoked.
 - c. The chain of custody is broken.
 - d. The hard drive must be imaged.

5. Mahen fraudulently increases the number of hours he has worked and then forges his supervisor's signature on his timesheet. This is an example of:
 - a. A fictitious reimbursement scheme
 - b. A falsified hours and salary scheme
 - c. Cash larceny
 - d. Check tampering

6. Audits, public record searches are used to gather what type of evidence in fraud investigation?
 - a. Testimonial
 - b. Forensic
 - c. Documentary
 - d. Observational

7. Which of the following is **NOT** a type of evidence?
 - a. Management evidence
 - b. Documentary evidence
 - c. Testimonial evidence
 - d. Physical evidence

8. All of the following factors can be associated with high levels of fraud in a work environment **EXCEPT**:
 - a. Refusal to swap duties
 - b. Lack of recognition of job performance
 - c. Low pay/salaries
 - d. Low turnover

9. The following are stages in money laundering **EXCEPT**:
 - a. Integration
 - b. Layering
 - c. Smoothing
 - d. Placement

10. Which would not be a preventive control

- a. Code of ethics
- b. Training on fraud
- c. Standard Operating Procedures
- d. Bank reconciliations

(Total 20 Marks)

Part II
Answer **ALL** questions

Question No. 02

Financial Statement frauds are in many instances carried out by Senior Management to factiously enhance the financial performance of the company.

- i. State 05 red flags of fraudulent overstatement of revenue.

(5 Marks)

- ii. State 05 ways in which liabilities could be factiously understated in the balance sheet.

(5 Marks)

- iii. Briefly describe 5 steps or control procedures a company could implement to prevent or mitigate financial statement fraud.

(5 Marks)

(Total 15 Marks)

Question No. 03

In forensic accounting the ‘Chain of Custody’ determines to a great extent the admissibility of evidence in a court of law.

- i. Define ‘Chain of custody’

(3 Marks)

- ii. Briefly state the importance of maintaining the chain of custody of evidence

(5 Marks)

- iii. List five types of information contained in a chain of custody record.

(2 Marks)

- iv. Briefly state 5 factors you would consider in the planning stage of collection of documentary evidence.

(5 Marks)

(Total 15 Marks)

Question No. 04

Most forensic audit procedures are carried out on electronic data which is gathered as evidence from the crime site and must be handled and stored in a manner that ensures the integrity of the data.

- i. Briefly describe 5 steps you could take to accomplish the above objective.

(5 Marks)

- ii. Define the following terms.

- a. Fraud
- b. Phishing
- c. Botnet
- d. Social Engineering

(4 Marks)

- iii. Briefly describe the three components of the fraud triangle.

(6 Marks)

(Total 15 Marks)

Question No. 05

Anti-Money laundering legislature has been introduced in many countries to combat black money.

- i. Define “money laundering”

(1 Mark)

- ii. Briefly describe the three stages in money laundering

(6 Marks)

- iii. Briefly describe four money laundering schemes

(8 Marks)

(Total 15 Marks)

Part III

Answer any **ONE** out of the two questions given

Question No. 06

The forensic auditor should be aware of legal concepts when presenting evidence in courts. This is of paramount importance in determining the success or failure of a case.

- i. Define the following terms
 - a. Evidence
 - b. Rules of Evidence
 - c. Direct Evidence
 - d. Circumstantial Evidence
 - e. Hearsay Rule

(10 Marks)

- ii. State what is meant by “Privileged Information”

(2 Marks)

Briefly state 4 examples of situations in which information could be considered privileged.

(4 Marks)

- iii. State what is meant by the “Best Evidence Rule”.

(2 Marks)

- iv. Briefly Describe “Benford’s Law”

(2 Marks)

(Total 20 Marks)

Question No. 07

Internal Controls are a very important component in a fraud risk management program.

- i. Define “internal control”

(2 marks)

Briefly describe the 3 types of internal controls

(3 Marks)

- ii. List and describe the 5 components of the COSO framework

(11 Marks)

- iii. Briefly define the following terms

- a. Skimming
- b. Cash larceny
- c. Embezzlement
- d. Extortion

(4 Marks)

(Total 20 Marks)