UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**FORENSIC ACCOUNTING**
COURSE CODE	:	**FSC4023**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FIVE (5)** questions.
2. Answer **ALL** questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet
4. Do not bring any material into the examination hall.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO. : ____________________

ID. NO. : ____________________

LECTURER : ____________________

SECTION : ____________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 6 printed pages including the front page.

QUESTION 1

An RM80 million contract to construct a district hospital was awarded to Capstar Sdn. Bhd. (Capstar), with Ms. Liyana, the state authority's Head of Procurement, overseeing the tender process, but subsequent findings revealed several concerning irregularities that cast doubt on the fairness and integrity of the award. Prior to the decision, Ms. Liyana was found to have frequently had private dinners with Mr. Faris, the managing director of Capstar, which created an appearance of undue familiarity and potential bias in the procurement process. After the contract was awarded, Ms. Liyana's brother made a cash payment for a luxury car valued at RM250,000 to a business associated with Mr. Faris, suggesting a possible indirect benefit linked to the tender outcome.

Furthermore, the hospital project experienced significant performance issues: it required an additional RM20 million in funding beyond the original budget and was eight months behind schedule, indicating poor cost control and project management. Adding to the concerns, several technically qualified firms that submitted lower or competitive bids were reportedly rejected on the basis of "incomplete documents" without sufficient justification, raising questions about whether the tender evaluation was conducted fairly and transparently. Together, these factors point to possible conflicts of interest, weaknesses in governance and oversight, and a lack of accountability in the procurement system.

Required:

a. Explain **THREE (3)** fraud elements in the above corruption scheme.

(6 marks)

b. Assess **THREE (3)** effects of corruption scheme in Capstar.

(6 marks)

c. Evaluate **FOUR (4)** preventive measures for Capstar in reducing corruption.

(8 marks)

(Total: 20 marks)

QUESTION 2

Techno Berhad (Techno), a fashion retail chain, reported record profits in 2024 despite observable low customer traffic in many of its stores, but an internal investigation revealed several concerning discrepancies that called into question the integrity of its financial results. The review found that a portion of the company's inventory was recorded as "sold" to related parties near the end of the year, even though much of this inventory remained physically in Techno's warehouse, indicating that revenue may have been recognized prematurely or fictitiously to boost reported sales figures.

In addition, the company deferred legitimate operating expenses, such as advertising and repair costs, pushing them into the 2025 financial period instead of recognizing them in 2024, which artificially inflated profit for the reporting year. It was also revealed that senior management bonuses were tied directly to profit growth, giving executives a strong incentive to manipulate the timing of revenue and expenses to meet performance targets. Taken together, these findings suggest weaknesses in internal controls and potential earnings management practices, where accounting policies were used inappropriately to present a significantly stronger financial performance than was economically justified.

Required:

a. Explain **THREE (3)** symptoms of financial statement fraud at Techno.

(6 marks)

b. Assess **THREE (3)** possible motivations for management to commit financial statement fraud at Techno.

(6 marks)

c. Evaluate **FOUR (4)** strengths to mitigate the financial statement fraud risk in Techno.

(8 marks)

(Total: 20 marks)

QUESTION 3

Prime Pharma Sdn. Bhd. (Prime Pharma), a supplier of medical equipment to clinics and hospitals, was flagged for possible procurement irregularities after a review revealed that several clinics were charged significantly higher prices for identical items compared with other buyers, suggesting inconsistent pricing and possible overcharging. Further investigation uncovered that some invoices lacked supporting delivery notes, raising doubts about whether the goods were actually received before payment was made. It was also found that the same supplier was repeatedly selected even though it did not offer the lowest price, undermining the fairness of the procurement process and suggesting possible favouritism or compromised competitive tendering.

Additionally, there were allegations that certain suppliers were shell companies, indicating that fraudulent entities may have been used to funnel funds improperly. Suspicion of misconduct increased when one procurement clerk, Ms. Farah, was observed to have suddenly acquired substantial assets, including a new house and car, which were inconsistent with her known salary and financial profile, raising concerns of potential fraud or corruption. Taken together, these findings point to weaknesses in internal controls, possible collusion or unethical behaviour in the procurement process, and the need for stronger oversight and accountability mechanisms.

Required:

a. Explain **THREE (3)** types of documentary evidence that can be collected by investigators of Prime Pharma.

(6 marks)

b. Analyse **THREE (3)** concepts of burden of proof that can be applied in the Prime Pharma investigation.

(6 marks)

c. Evaluate **TWO (2)** weaknesses in the available evidence and propose additional investigative steps to strengthen the fraud investigation.

(8 marks)

(Total: 20 marks)

QUESTION 4

Trade Well Berhad, a provider of online payment services, reported high transaction volumes but unusually low profits, prompting concern over possible irregularities in its operations. A detailed investigation revealed suspicious transaction patterns, including a large number of payments recorded as round figures and occurring during late-night hours, which were inconsistent with normal customer behavior and suggested possible manipulation or automated fraudulent activity. Further review showed that multiple customer accounts were registered using similar phone numbers and email addresses, indicating the likelihood of fictitious or closely linked accounts rather than genuine users.

Additionally, refunds were repeatedly processed to a small group of bank accounts, raising further questions about the legitimacy of the activity and possible diversion of funds. The risks were exacerbated by weak internal controls, as only the system administrator had full access to system logs, creating a lack of segregation of duties and limited oversight, which increased the potential for internal fraud or concealment of improper actions.

Required:

a. Explain **THREE (3)** examples of digital evidence that can be collected by a fraud investigator of Trade Well.

(6 marks)

b. Assess **THREE (3)** prevention strategies that can be implemented by Trade Well to reduce fraudulent activities.

(6 marks)

c. Evaluate **FOUR (4)** types of digital fraud arising from stolen data in Trade Well.

(8 marks)

(Total: 20 marks)

QUESTION 5

Sam Cooperative reported discrepancies involving missing members' funds, which prompted an internal investigation that soon focused on Mr. Kamal, the cooperative's finance officer. It was discovered that Mr. Kamal was responsible for both record-keeping and cash disbursement, indicating a serious lack of segregation of duties and weak internal controls, conditions that can enable fraud to go undetected. Further concerns arose when several cooperative members complained about missing balances in their accounts, suggesting that funds had been misappropriated or improperly managed.

During the investigation, Mr. Kamal began avoiding meetings and interviews, raising red flags about his cooperation and transparency. In addition, observers noted that his lifestyle showed signs of sudden increased spending, inconsistent with his known salary and financial profile, which further heightened suspicion of possible misappropriation of funds. Taken together, these findings point to potential fraud, significant control weaknesses, and the need for stronger oversight and accountability within the cooperative's financial operations.

Required:

a. Discuss **THREE (3)** objectives of interviewing the finance officer in the above case. (6 marks)

b. Analyse **FOUR (4)** interviewing techniques that can be used in the above case. (8 marks)

c. Evaluate **THREE (3)** non-verbal cues indicating deception of a suspect during a fraud investigation interview. (6 marks)

(Total: 20 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER