



Kirinyaga University

UNIVERSITY EXAMINATION 2018/2019

YEAR IV SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF
BUSINESS MANAGEMENT

HBA 2404: FORENSIC ACCOUNTING

Date: Wednesday, 24th April, 2019

Time: 11.00 am - 1.00 pm

INSTRUCTION: Answer Question one (compulsory) and any other TWO questions

QUESTION ONE - 30 MARKS

Fraud research studies have shown that the pressure intensifies during the period of change. Pressure is a major motivation to commit fraud. A committee of financial sponsoring organization study "fraudulent financial reporting analysis of U.S.A public companies" examined corporate 'fraudulent financial reporting practices. The study identified the need to meet internal and external earning expectation and the need to bolster financial performance for pending equity or debt financing as the most commonly cited fraud motivation. The association of certified Fraud examiners (ACFE) 2014 report to the nations on occupational Fraud and abuse, points out that 26.4% of financial statement Fraud and abuse, points out that 26.4% of financial statement Fraud cases and 11% of corruption cases, excessive pressure from within the organization was a motivation to commit fraud.

A transition can exert pressure on senior management to meet or exceed objectives or financial targets. They often try to hit such targets as increased or sustained profitability, revenue, positive cash flows generation and cost reductions all while maintaining high level of equality and productivity.

- i. Briefly explain five conditions that can increase pressure to commit fraud in an organization.

[10 marks]

- ii. Briefly discuss five ways in which such increased pressure leads to perceived opportunities and rationalization [10 marks]
- iii. There has been a long debate as to whether the auditor or management is responsible for errors and fraud in an organization. The debate even gets hotter when a fraud with long history is suddenly uncovered by accident even though there were regular audits in the area. Discuss and justify whose role it is regarding fraud in an organization and justify [10 marks]

QUESTION TWO

- a) Explain any five differences between auditing and a Forensic accounting [10 marks]
- b) Identify and explain any five types of occupational frauds [10 marks]

QUESTION THREE

- a) Assume you have been recently appointed as an internal audit manager of Frank Worth Company Ltd to head forensic department. A procurement audit was carried out and the findings were that there is suspicious serious fraudulent transactions in the procurement department. A forensic audit was recommended and approved by management to be carried out by your department. As a forensic accountant, briefly outline the steps you would undertake for successful investigation. [10 marks]
- b) One of the most robust approaches to combat fraud menace is to institute a sound fraud deterrence cycle. Briefly discuss the four elements of fraud deterrence cycle. [10 marks]

QUESTION FOUR

- a) XYZ Ltd has been hit by a massive wave of frauds and other forms of financial crime. The board of XYZ Ltd has learnt that you have graduated

from KYU and has taken a unit in Forensic Accounting. The board has therefore appointed you as the lead forensic auditor. Briefly describe to the board the process of undertaking a successful financial crime investigation

[10 marks]

b) Explain five ways in which computerization has contributed in minimizing cases of financial crime in business organizations and in the economy at large

[10 marks]

QUESTION FIVE

a) By the help of an example, describe the meaning and process of Money Laundering

[8 marks]

b) Explain any four different mechanisms that a government can employ to curb or minimize instances of money laundering

[12 marks]