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B.M.S. COLLEGE FOR WOMEN, AUTONOMOUS

BENGALURU – 560004

SEMESTER END EXAMINATION – SEPT/OCT 2023

M.Com – 4th Semester

FORENSIC ACCOUNTING AND AUDITING

Course Code: MCM402T

Time: 3 Hours

QP Code: 14016

Max. Marks: 70

SECTION – A

1. Answer any SEVEN questions. Each question carries TWO marks. (7X2=14)

- a) What is Money Laundering?
- b) Difference between observation & surveillance.
- c) Mention any 4 reasons for committing financial statement frauds.
- d) What is financial statement fraud?
- e) Expand CAAT & GAS.
- f) What is Red Flag?
- g) What is Litigation Support Audits?
- h) Mention any 3 Limitations of Forensics Audits.
- i) What is Ultra Block?
- j) What is securities fraud?

SECTION – B

Answer any Four Questions. Each Question Carries Five Marks (4X5=20)

2. Differences between Audit and Forensic Accounting.
3. What is Fraud Triangle?
4. The primary goal of fraud risk prevention is to safeguard an organization's assets, reputation, and financial well-being. Describe the profile of fraudsters.
5. A forensic audit is a financial audit that is performed with some degree of risk. Why Would a Company Need a Forensic Audit?

6. Fraud risk prevention refers to the proactive measures taken by organizations to minimize the occurrence of fraudulent activities. Explain the best practices involved to avoid fraudulent practices in an organization.
7. Explain the investigation mechanism in forensic accounting.

SECTION – C

Answer any Two Questions. Each Question Carries Twelve Marks

(2X12=24)

8. Explain various ways through which Net Worth/Net Income Overstatements can be made.
9. Discuss any case to show how to inflate sales and inflate inventory records.
10. Business owner should make ongoing efforts to create an environment in which fraud is less likely to arise. What are Fraud Risk Factors?
11. Technology is essentially enemy in terms of frauds from auditors' perspective. Technology is also the auditors friend to conceal frauds. Justify the sentences accordingly.

SECTION – D

(Compulsory Skill-based Question on Subject / Paper)

(1X12=12)

12. In 2007, a major British construction firm suffered from extensive fraud committed by management at one of its subsidiaries. Accounting irregularities dating back to 2003 were said to include systematic misrepresentation of production volumes and sales by a number of senior figures at the division. Management at the subsidiary attempted to cover their behaviour by selling materials at a discounted price and the fraud went undetected for several years despite internal and external audits. The irregularities were eventually uncovered by an internal team sent to investigate a mismatch between orders and sales.

Following an initial internal investigation, a team of external experts and the police were brought in to identify the full extent of malpractice. The investigation found that the organisation was defrauded of nearly £ 23 million, but the fraud was said to cost the company closer to £ 40 million due to the written down value of the business and factoring in the cost of the investigation. The managing director of the subsidiary was dismissed, another manager faced disciplinary action and five others left before disciplinary proceedings could be commenced. Civil proceedings were ruled out on the basis that losses were unlikely to be

recovered. Operations at the centre of the incident had to be temporarily closed and more than 160 jobs were cut at the business

In addition to individual fraudsters, there has also been an increase in fraud being committed by gangs of organised criminals. Examples include false or stolen identities being used to defraud banks, and forms of e-fraud exploiting the use of internet by commercial businesses. SOCA is responsible for responding to such threats, with the support of the victim organisations.

1. What is fraud? Explain different types of fraud?
2. Explain in detail Tools & techniques of forensic audit.

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