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**PRESIDENCY UNIVERSITY**

**Bengaluru**

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| **End - Term Examinations – MAY 2025** |
| **Date:** 22-05-2025 **Time:** 09:30 am – 12:30 pm |

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| **School:** SOC | **Program**: BBA-Finance | |
| **Course Code:** COM3024 | **Course Name:** FORENSIC ACCOUNTING | |
| **Semester**: VI | **Max Marks**: 100 | **Weightage**:50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **18** | **18** | **33** | **47** | **19** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. Each question carries 2 marks. 10Q x 2M=20M** | | | | |
| **1.** | State any two objectives of forensic accounting | **2 Marks** | **L1** | **CO1** |
| **2.** | Explain any two key responsibilities of a forensic accountant. | **2 Marks** | **L2** | **CO1** |
| **3.** | Define fraud examination. | **2 Marks** | **L1** | **CO2** |
| **4.** | State the meaning of financial crime. | **2 Marks** | **L1** | **CO2** |
| **5.** | List any two types of financial fraud. | **2 Marks** | **L1** | **CO3** |
| **6.** | Define asset misappropriation. | **2 Marks** | **L1** | **CO3** |
| **7.** | Explain the primary goal of fraud risk assessment. | **2 Marks** | **L2** | **CO4** |
| **8.** | Name any two preventive controls used in fraud risk mitigation. | **2 Marks** | **L1** | **CO4** |
| **9.** | Describe detective control in brief. | **2 Marks** | **L2** | **CO5** |
| **10.** | List any two roles involved in fraud risk governance. | **2 Marks** | **L1** | **CO5** |

**Part B**

**Answer ALL the Questions. Each question carries 7 Marks. Total Marks 35M**

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| 11. | a. | Examine the evolving role and significance of forensic accountants in the digital era, especially in addressing financial crimes and cyber fraud. | 07 Marks | L3 | CO1 |
| Or | | | | | |
| 12. | **a.** | Illustrate the different types of financial crimes that occur in corporate and individual settings and also, provide suitable examples for each. | **07 Marks** | **L4** | **CO1** |

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| 13. | a. | Explore how Benford’s Law is applied in forensic investigations and determine its usefulness in detecting accounting fraud. | 07 Marks | L3 | CO2 |
| Or | | | | | |
| 14. | **a.** | Explore the major steps followed in conducting a fraud risk assessment and support your explanation with relevant real-life examples. | **07 Marks** | **L3** | **CO2** |

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| 15. | a. | Illustrate the distinct roles and responsibilities of key stakeholders involved in ensuring effective fraud risk governance. | 07 Marks | L4 | CO3 |
| Or | | | | | |
| 16. | **a.** | Classify the different types of controls - preventive and detective used in fraud risk management and describe their practical application. | **07 Marks** | **L3** | **CO3** |

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| 17. | a. | Illustrate the legal and ethical considerations that should be considered during the planning phase of a forensic investigation and determine their impact on the investigation process. | 07 Marks | L3 | CO4 |
| Or | | | | | |
| 18. | **a.** | Explore how data analytics tools and techniques are utilized to detect patterns, anomalies, and red flags in financial transactions that may indicate fraud. | **07 Marks** | **L3** | **CO4** |

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| 19. | a. | Express the importance of fraud risk mitigation strategies in modern organizations by highlighting their role in preventing financial losses, maintaining reputation, and ensuring regulatory compliance. | 07 Marks | L3 | CO4 |
| Or | | | | | |
| 20. | **a.** | Illustrate how consumer frauds are committed and identify the key indicators used to detect such fraudulent activities. | **07 Marks** | **L3** | **CO4** |

**Part C**

**Answer any Three Questions. Each question carries 15 marks 3Q x 15M=45M**

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| 21. | a. | ABC Textiles Ltd., a listed Indian company in the export business, has shown impressive growth in its financial statements over four years. However, discrepancies found during a due diligence process prompted a forensic review.  Financial Summary (₹ in Cr):   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Year** | **Revenue** | **Net Profit** | **Accounts Receivable** | **Inventory** | **Operating Cash Flow** | **Tax Paid** | | 2020 | 3,200 | 400 | 550 | 420 | 360 | 90 | | 2021 | 4,100 | 580 | 720 | 620 | 380 | 95 | | 2022 | 5,400 | 690 | 1,400 | 1,100 | 460 | 85 | | 2023 | 6,900 | 750 | 2,500 | 1,600 | 390 | 60 |   Based on the financial data:   1. Identify and explain any 3 red flags that may indicate financial fraud. 2. Apply Benford’s Law logic to detect any suspicious pattern if the first digits of tax payments in the last 4 years were 9, 9, 8, and 6. 3. Suggest any two forensic steps you would take to confirm the fraud suspicions. | 15 Marks | L4 | CO3 |

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| 22. | a. | An internal auditor noticed rising sales but stagnating cash flow and rising receivables:   |  |  |  |  | | --- | --- | --- | --- | | **Year** | **Revenue** | **Accounts Receivable** | **Operating Cash Flow** | | 2020 | 3,600 | 580 | 360 | | 2021 | 4,700 | 780 | 390 | | 2022 | 6,200 | 1,400 | 420 | | 2023 | 7,800 | 2,350 | 410 |  1. Compute the accounts receivable to revenue ratio for each year. 2. Comment on the trend does it support suspicion of fictitious sales. 3. Suggest one external red flag and one internal audit approach to detect such fraud. | 15 Marks | L4 | CO2 |

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| 23. | a. | A forensic investigation into a luxury goods company uncovers large payments made to shell companies. The internal documents are incomplete, and management claims the payments were legitimate marketing expenses. The forensic team needs to gather additional proof from external sources.   1. Identify non-organizational sources of evidence the investigators can use in this case. 2. What is the discovery process, and how does it help in uncovering concealed evidence? 3. Suggest a structured approach for cross-verifying internal claims with external data, ensuring evidence integrity. | 15 Marks | L4 | CO5 |

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| 24. | a. | FinTech Solutions Pvt. Ltd. reports unauthorized fund transfers through its mobile payment app. The management hires a forensic investigation team to probe the suspected internal collusion. Before starting the investigation, the team must set clear goals and plan for digital data collection.   1. Identify the key steps in planning this forensic investigation using a digital fraud context. 2. Explain the role of adaptive process analysis in refining the investigation path as new evidence emerges. 3. Suggest how AI and forensic software tools can be integrated in the planning stage to improve investigation efficiency. | 15 Marks | L4 | CO4 |