



PIONEER INTERNATIONAL UNIVERSITY

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END OF SEMESTER EXAMINATION BACHELOR OF COMMERCE YEAR IV SEMESTER II

ACADEMIC YEAR: 2021/2022

UNIT NAME: FORENSIC ACCOUNTING

SEMESTER: JAN-APRIL 2022

UNIT CODE: ACCT 4210

Instructions: Answer Question One 30 Marks and any other two Questions

QUESTION ONE (30Marks)

- a) Briefly explain the objective of financial statement and why this objective is important to outsiders. How does an accountant act in accordance with the objective? [10Marks]
- b) Jane Wagner and Justin Stine are reviewing the accounting rules for recording an instalment sale. Wagner and Stine work in the plastics division of their company, which has been under pressure to improve earnings. Their division has just made a large instalment sale, and they want to record it in a fashion that makes the division look better. The total revenue generated as a result of the instalment sale is £100 million, to be paid in five yearly instalments of £20 million. Normally the division does not use instalment sales to generate income, but in this instance, they believed it was justified given the size of the sale and the potential benefit to the decision. Wagner says that they should recognize all the revenue in year one, because this will help the division meet its sales quota and assure that management receives favorable evaluations and salary increases. Stine does not believe it appropriate to recognize all the revenue in year one for instalment sales. He argues that they should recognize gross profits as the cash is received. Wager says: “we can get by with recording all the revenue in the first year and setting is a note receivable for the balance due. Management will think we are acting correctly because they will not recognize that an instalment sale is different from other types of sales. Besides, this is just a ‘normal’ sale with credit terms of five years, and not much different than those sales with the normal credit terms of 60 days.”

Required:

- a. According to the philosophical guidelines of utilitarianism, the account should produce finance statements of high quality, so the reports are useful to all stakeholders. How should an account apply the principles of utilitarianism to decide how this expense should be recorded? [8 Marks]

b. If you choose to act in a manner consistent with the principles of deontology which requires the accountant to “do the right thing for the right reason”, what is the right thing to do? What is the right reason for your decision? [6Marks]

c. How will be accountant demonstrate his or her technical competence and ethical awareness in this situation? [6Marks]

QUESTION TWO (20 MARKS)

a) Discuss the most common accounting fraud areas using examples where possible [10Marks]

b) The world has witnessed many life examples of fraudulent financial reporting include Enron, WorldCom, Cadbury, African Petroleum, among others. Discuss the reasons for fraudulent financial reporting by firms. [10Marks]

QUESTION THREE (20 MARKS)

a) Forensic auditing is a blend of traditional accounting, auditing, and financial detective work.

Discuss the advantages of forensic accounting [10 Marks]

b) Discuss the various types of forensic audit [6Marks]

c) Name the steps in conducting forensic Audit [4Marks]

QUESTION FOUR (20 MARKS)

a) Discuss the various sources for Laundered Money [10Marks]

b) Discuss the various types of Information Technology Crimes in Kenya giving examples [10Marks]

QUESTION FIVE (20 MARKS)

a) Discuss the various types and Nature of Occupational Fraud [20 Marks]