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UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
SPECIAL AND SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF CRIMINALOLOGY
COURSE CODE: SCR415
COURSE TITLE: FINANCIAL FRAUD AND INVESTIGATION
DATE: 16TH NOVEMBER, 2022 TIME: 11.00AM - 1.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One and any other TWO (2) Questions

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

QUESTION ONE

a) Case Study: Financial fraud

Kimin is enterprise which remains an aggressive bidding process for construction contracts often makes profit margins razor thin, contractors may be tempted to increase their profits through fraud. The developer did not press charges against either the architect or the contractor, but he did report the architect to the licensing board. A developer negotiated a Ksh. 450 million guaranteed maximum price contract with a prime contractor and subcontractors to erect a 28-story building. To the developer's surprise, the allowances and contingency holds for unexpected costs and emergencies were exhausted before even the core and shell had been completed. This left the interior work unfunded. Puzzled and suspicious, the developer hired private investigators who discovered the prime contractor had bribed the architect and they were now colluding to defraud the developer. The contractor was purchasing goods and services beyond those required for the developer's building, diverting the excess to other jobs on which he and the architect were working and submitting the invoices to the developer. The excess expenses were approved and explained away by the architect. The contractor and the architect had convinced themselves that the developer's cost controls were shortsighted and would make the job unprofitable for them. When the architect and contractor were confronted with the evidence of the private investigation, they agreed to pay for the remaining construction from their own funds rather than be prosecuted. At the hearing, the investigators produced the evidence they had discovered for the developer and the architect received a written reprimand. This effectively put the architect on an industry blacklist, which made it difficult for him to find well-paying jobs.. He was no longer able to keep his children in private school, and he had to drop a club membership he had enjoyed with his wife. Life went on, but not at the carefree level the family had enjoyed before. As with other fraudsters, the consequences of the dishonest architect's fraud affected his family.

- i) Identify the nature of fraud observed (2 marks)
 - ii) Explain the various approaches for one to prevent fraud scheme (3 marks)
- b) Explain the following terms as applied in fraud and financial investigations
- i) Fraud prevention
 - ii) Scammers
 - iii) Fraud schemes
 - iv) Misappropriation financial statements (8 marks)
- c) The latter specific category of fraud is often referred to as misappropriations of assets. Frauds against the company may be intended to benefit only the perpetrator, as in the case of theft of corporate assets or embezzlement. Explain the reason as to why most cases of employee bribery are difficult to detect Frauds against the company by vendors, suppliers, contractors, and competitors bribing employees (6 marks)
- d) Describe the meaning of expert opinion and how its generalizations about people can influence fraud perpetrators to an organization (5 marks)
- e) Opportunity in Financial statement analysis techniques may enable us to demonstrate the existence of fraud and identify potential fraudsters. Explain its nature (6 marks)

QUESTION TWO

- a) State the major differences between deception and elicit admission (4 marks)

- b) Explain how trend analysis of financial statements can uncover certain types of fraud and play a role of internal audit assessments (8 marks)
- c) Bribery is often defined as the offering, giving; receiving, or soliciting anything of value to influence an official act. Discuss the reasons as to why corruption and bribe occurs in many organization (8 marks)

QUESTION THREE

- a) Evidence is on the general rule that there are ways to get a testimony into the record. For example, an employee at a securities firm blows the whistle on his superiors for a high level stock fraud. Discuss the importance of expert opinion under this statement (10 marks)
- b) Explain 'fraud theory approach' and describe the sources of information available to the forensic accountant (10 marks)

QUESTION FOUR

- a) The criminal mind-set may not quite hold an office to act in financial frauds. Of those, most were caught by investigators or the financial audit may collapse. In some cases, too many people, including auditors, regulators, and company employees knew someone eventually had the ethics and courage to report the fraud. Describe the importance of accountants to detect fraud committed by asset misstatements (10 marks)
- b) What is 'Evidence' and explain its role in computer audit (4 marks)
- c) The objective of financial fraud is to determine whether a fraud has occurred or is occurring and to determine who the fraudster is. State fraud investigation tools and outline the major steps involved in fraud investigation exercise in this relations (6 marks)