TECHNICAL UNIVERSITY OF MOMBASA

School of Business
DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR DEGREE IN
DIPLOMA IN ACCOUNTANCY

BAC 2207: FORENSIC ACCOUNTING

MAIN EXAMINATIONS
SERIES: AUGUST 2024
TIME: 2 HOURS

INSTRUCTIONS:
Answer Question **ONE (Compulsory)** and any other **TWO** questions
Don't Write on this Question Paper
This paper consists of Two printed pages

QUESTION 1 (Compulsory)

Joan is the principal owner of Matano Company, a medium-sized company that sells office equipment to an office supply company that operates in the Mombasa. Recently, Joan received an anonymous tip that the financial statements of Matano for the most recent year, 2022, were fraudulent. Joan has contacted you, a forensic accountant, to perform an analysis of the company as a starting point of an investigation. You have organized the information into the following table:

Matano Ltd Financial Statements

Vertical Analysis					Horizontal Analysis	
Balance Sheet	**2022**		**2021**		**Change**	
Elements	**Amount**	%	**Amount**	%	**Amount**	%
Cash	1,323,840		1,251,970			
Accounts receivable (net)	9,266,890		12,197,820			
Inventory	3,971,525		4,146,910			
Plant and equipment (net)	11,914,580		10,648,760			
Total assets	26,476,835		28,245,460			
Accounts payable	7,413,515		8,893,395			
Non-current debt	4,761,200		4,682,910			
Common stock	2,650,000		2,650,000			
Paid-in capital	3,973,840		3,973,840			
Retained earnings	7,678,280		8,045,315			
Total liabilities and equity	26,476,835		28,245,460			

Income Statement	2022		2021		Change	
Net sales	1,632,255		2,293,960			
Cost of goods sold	1,142,580		1,422,255			
Gross profit	489,675		871,705			
Selling expenses	146,905		275,275			
Administrative expenses	261,160		229,395			
Net income	81,610		367,035			

Required:

a) Complete the table above (10 Marks)

b) Explain the areas, if any, appear to deserve closer examination (10 Marks)

c) For any areas identified in (b), name two procedures that you could perform to determine whether the area is misstated (10 Marks)

QUESTION 2

a) Explain any Four differences between Quantitative and Qualitative forensic financial evidence analysis (8 Marks)

b) Describe any three financial evidences that may be collected in case of a fraudulent asset's misappropriation (12 Marks)

QUESTION 3

a) Describe any Four data mining techniques that can be applied in forensic accounting (8 Marks)

b) With help of diagrams, explain any two fraud detection systems (8 Marks)

c) Explain the content of Forensic audit reports (4 Marks)

QUESTION 4

Using clear examples, Describe the nature of exhibits that may be presented before a court of law from the following types of evidence

a) Direct evidence (5 Marks)

b) Inculpatory evidence (5 Marks)

c) Exculpatory evidence (5 Marks)

d) Hearsay evidence (5 Marks)

QUESTION 5

a) Explain any FIVE differences between forensic accounting and statutory audits (10 Marks)

b) Describe the fraud triangle and explain its relevance in forensic accounting (10 Marks)