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St. Claret College

Autonomous, Bengaluru

ROLL NO:

DATE:

PG END SEMESTER EXAMINATION-JUNE/JULY 2026

M.Com. : IV Semester

MCO 4225: FORENSIC ACCOUNTING & AUDITING

TIME: 3 hours **MAX. MARKS: 70**

This paper contains TWO printed pages and FOUR parts

Instructions:
1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer EIGHT questions out of TEN. Each answer carries TWO marks. [8x2 = 16]

1. What is meant by the Fraud Cycle?
2. List any four types of fraud.
3. State any two fraud risk factors.
4. Define financial statement fraud.
5. State any two objectives of a Forensic Audit.
6. Distinguish between Audit and Forensic Audit.
7. Define Computer Assisted Auditing Techniques (CAATs).
8. What are Red Flags in a forensic investigation?
9. What is meant by money laundering under the PMLA, 2002?
10. Define "relevancy of evidence" under the Indian Evidence Act.

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. [4x5=20]

11. Discuss the responsibilities of accounting investigators and auditors in fraud detection.
12. Explain the traits and behaviours commonly exhibited by fraudsters.
13. What are the various techniques used for fraud detection?
14. Explain the various stages involved in the audit process.

15. Differentiate between Red Flags and Green Flags in forensic investigations.

16. Explain the importance of the Information Technology Act, 2000 in the context of digital evidence and cyber fraud investigations.

PART-C

Answer any TWO questions out of THREE. Each answer carries TEN marks. [2X10=20]

17. Examine the importance of information gathering methods and fraud risk assessment.

18. Examine the need for Forensic Audit in the modern business environment and explain how it helps in detecting and preventing fraud.

19. Discuss the concept of Forensic Audit Thinking and explain the procedures involved in conducting a Forensic Audit.

PART-D

Answer the following. Answer carries Fourteen Marks. [1X14=14]

20. Case Background

Yes Bank was once one of India's fastest-growing private banks. However, investigations into the bank's operations revealed allegations of financial irregularities involving its former Managing Director and CEO, Rana Kapoor.

Regulatory agencies alleged that large loans were sanctioned to financially weak corporate groups despite significant credit risks. In return, entities connected to the borrowers allegedly made investments in companies linked to Kapoor's family members.

Questions were also raised regarding the classification of stressed assets, disclosure of non-performing assets (NPAs), and the adequacy of risk assessment procedures. As the quality of the bank's loan portfolio deteriorated, investor confidence declined sharply, leading to a severe financial crisis.

The investigation involved tracing complex financial transactions across multiple companies, examining loan approval processes, and identifying potential conflicts of interest.

Answer the following question

As a forensic accounting investigator appointed by regulators, answer the following:

a. Explain the potential fraud risks associated with related-party transactions and loan approvals. (4 Marks)

b. Identify the warning signs indicating possible manipulation of loan and NPA reporting. (3 Marks)

c. Discuss the forensic accounting procedures required to trace fund movements in the case. (4 Marks)

d. Recommend measures to strengthen transparency and accountability in banking institutions. (3 Marks)

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