Name: **Enrolment No:**	

UPES

End Semester Examination, May 2025

Course: Financial Analytics — **Semester : VI**
Program: Int. BBA-MBA — **Time : 03 hrs.**
Course Code: FINC3067 — **Max. Marks: 100**

Instructions:

SECTION A

10Qx2M=20Marks

S. No.		Marks	CO
Q 1	**The primary goal of fraud prevention and risk management integration is to:** A. Cut audit costs B. Build shareholder trust C. Inflate earnings D. Increase complexity	**2**	**CO1**
Q2	**Combining fraud analysis with financial modeling helps in:** A. Reducing profits B. Gaining market share C. Forecasting risk scenarios D. Avoiding audits	**2**	**CO1**
Q3	**Blockchain can aid fraud prevention by:** A. Creating anonymous transactions B. Increasing opacity C. Enhancing transparency and immutability D. Decreasing system controls	**2**	**CO1**
Q4	**A practical anti-fraud strategy includes:** A. Limiting board meetings B. Encouraging management override C. Rotating audit personnel D. Combining finance and HR roles	**2**	**CO1**
Q5	**A combined approach to fraud detection and risk management helps in:** A. Cost minimization B. Audit evasion	**2**	**CO1**

	C. Holistic financial control D. Data suppression		
Q6	**The use of AI in fraud detection can improve:** A. Budgeting B. Visual aesthetics C. Pattern recognition D. Sales forecasting	**2**	**CO1**
Q7	**Use of derivatives in risk management involves:** A. Increasing equity B. Avoiding taxes C. Hedging exposure D. Boosting revenue	**2**	**CO1**
Q8	**Whistleblower hotlines can:** A. Reduce data entry errors B. Encourage fraud reporting C. Increase turnover D. Delay auditing	**2**	**CO1**
Q9	**Nominal return does NOT adjust for:** A. Taxes B. Risk C. Inflation D. Dividend payout	**2**	**CO1**
Q10	**Market risk includes:** A. Credit default B. Interest rate fluctuation C. Equipment failure D. Human error	**2**	**CO1**
SECTION B 4Qx5M= 20 Marks			
Q11	Explain the concept of earnings management and how it can be used to manipulate financial statements. What are the potential ethical and legal concerns?	**5**	**CO2**
Q12	Discuss any **three indicators** that may signal financial statement fraud.	**5**	**CO2**
Q13	What constitutes a financial reporting structure, and what are its main elements?	**5**	**CO2**

Q14	What is the difference between liquidity and profitability ratios? How do these ratios help in assessing the financial fraud?	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q15	Explain the risk management framework. What specific derivative instruments would you recommend for managing liquidity risk while minimizing exposure to fraud? Integration of risk management with fraud detention. Benefits of an integrated approach.	**10**	**CO3**
Q16	How does the 3Cs model of financial statement fraud function when applied in practical scenarios? Support your analysis with a real-world example.	**10**	**CO3**
Q17	How would you use a method or tool to find fraud in a company's financial statement? Give one example of where this could be applied in a real business situation.	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q18	**Indus Bank Financial Fraud** In 2020, Indus Bank faced significant scrutiny due to allegations of financial fraud involving multiple employees who were involved in the creation of fake loans and misappropriation of funds. The fraud came to light after an internal audit, which revealed that several loans had been granted to fictitious customers. These loans were reported as performing loans, with the amounts being misrepresented in financial statements. The fraudulent activities involved both personal banking and corporate loan segments. Fake loan documents were fabricated to show non-existent loans, and these were passed through multiple layers of approval within the bank. The internal risk and compliance teams failed to detect the discrepancies, partly due to inadequate checks and balances within the bank's operations. The fraud led to a significant impact on the bank's financial position, eroding investor confidence and damaging its market reputation. Subsequent investigations revealed that the fraud amounted to a few hundred crores. The management of Indus Bank immediately took action, suspending the employees involved, enhancing internal controls, and cooperating with regulatory authorities for further action. However, this incident raised questions about the efficacy of the bank's risk management system, corporate governance, and financial oversight.	**15**	**CO4**

	Evaluate the impact of this financial fraud on the bank's financial statements. How would the misrepresentation of loans affect the income statement, balance sheet, and other key financial metrics? **What corrective measures should the bank take to regain investor trust and ensure similar incidents do not occur in the future?** **Or** **Summary of the Satyam Scam Case:** The Satyam scam, exposed in 2009, became one of the largest corporate frauds in India's history. Founded in 1987 by Ramalinga Raju, Satyam Computer Services quickly became a leader in the Indian IT sector, reaching a market capitalization of $2 billion by 2008. The company was even awarded accolades for its corporate governance. However, behind the scenes, Raju manipulated Satyam's financial records for years, inflating revenue, profits, and assets to meet analysts' expectations and keep the stock price high. The fraud began in 1999, with Raju falsifying accounts, creating fake invoices, and fabricating employee records. By 2008, as the global financial crisis hit, the scam became unsustainable, and Raju attempted to cover up the gaps by planning a merger with his family-owned real estate company, Maytas. Despite attempts to divert attention, whistleblowers and internal audits began raising alarms, ultimately leading to Raju's confession in January 2009. The external auditors, PwC, failed to detect the fraud despite multiple red flags. They relied too heavily on management's information and missed discrepancies in cash balances and fake invoices. This lack of diligence by PwC compounded the damage, leading to severe financial consequences, including a sharp drop in Satyam's stock price. The Indian government swiftly intervened, appointing a new board to manage the company, which was later sold to Tech Mahindra at a fraction of its original value. Raju and several accomplices were arrested and convicted, and the case highlighted critical gaps in corporate governance, auditing standards, and regulatory oversight in India. **Analyze the role of external auditors like PwC in the Satyam scam. What red flags should they have identified earlier, and how could their failure have been prevented?** **Examine how corporate governance practices failed in the Satyam case. What structural or regulatory weaknesses allowed the fraud to continue undetected for so long?**		
Q19	Enron Corporation, once hailed as "America's Most Innovative Company," was a leading energy firm known for its rapid growth and creative business		**CO4**

	strategies. Founded in 1985, it expanded beyond natural gas into electricity, broadband, and international markets. However, behind its success lay a massive accounting fraud. Enron used Special Purpose Entities (SPEs) to hide debt and overstate profits, while mark-to-market accounting allowed it to record projected earnings as current revenue. With the complicity of its auditor, Arthur Andersen, Enron deceived investors and regulators, sustaining an illusion of profitability. In 2001, after investigations revealed its fraudulent practices, Enron's stock price crashed, and it filed for bankruptcy. The scandal led to job losses, wiped-out investments, and criminal convictions for top executives. It also prompted major reforms, including the Sarbanes-Oxley Act (2002), aimed at improving corporate transparency and accountability. **Analyze how the combination of complex financial instruments, weak oversight, and corporate culture contributed to the Enron scandal. How did these factors interconnect to create systemic risk within the organization?**	**15**	