



ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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NEW QUESTION 1

Jane, a Certified Fraud Examiner (CFE), was hired to conduct a fraud examination at XYZ Company. Her examination did not reveal any conclusive evidence that fraud had occurred or was occurring. Consequently, XYZ's management asked Jane to state in her official examination report that the company is free of fraud as a means of assuring the board of directors that the company's anti-fraud controls were effective. The ACFE Code of Professional Ethics prohibits Jane from complying with management's request

- A. True
- B. False

Answer: B

NEW QUESTION 2

The generation and use of relevant, quality information to support the functioning of internal control is a principle related to which component of the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) Internal Control—Integrated Framework (the Framework)?

- A. Risk assessment
- B. Control environment
- C. Monitoring
- D. Information and communication

Answer: A

NEW QUESTION 3

Which of the following is NOT considered a conflict of interest that is prohibited under the ACFE Code of Professional Ethics?)

- A. Undertaking an engagement that decreases the fraud examiner's ability to perform their duties for their full-time employer
- B. Accepting an assignment to assess red flags of fraud at an organization in which the fraud examiner is a partner, provided the fraud examiner's ownership interest is disclosed
- C. Undertaking engagements for both sides in a case of an alleged product substitution scheme
- D. Accepting an assignment to secretly infiltrate the fraud examiner's employing organization and transmit inside information to another party

Answer: C

NEW QUESTION 4

According to the differential reinforcement theory, behavior is weakened when positive rewards are gained or punishment is avoided

- A. True
- B. False

Answer: A

NEW QUESTION 5

Which of the following is FALSE regarding G20/OECD Principles of Corporate Governance (the Principles)?

- A. The Principles state that an entity's corporate governance framework should ensure the equitable treatment of all shareholders
- B. The Principles state that an entity's corporate governance framework should encourage active cooperation between corporation and stakeholders in creating wealth.
- C. The Principles are required to be implemented by all corporations in the jurisdictions that have officially adopted them
- D. The Principles are intended to be applicable in both developed economies and emerging markets

Answer: D

NEW QUESTION 6

The International Organization of Securities Commissions' (IOSCO) Principles for Auditor Oversight states that auditor oversight should involve a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures.

- A. True
- B. False

Answer: A

NEW QUESTION 7

According to the authors of Crimes of the Middle Classes, all of the following factors have contributed to the rising problem of economic crime EXCEPT:

- A. The continued pressures of a culture that rewards affluence and success
- B. The economy's increased reliance on credit
- C. The decrease in funds available from government assistance programs
- D. The increased opportunity for wrongdoing as a result of advancing information technologies

Answer: D

NEW QUESTION 8

Criminologist Charles McCaghy has stated that profit pressure is the single most compelling factor behind deviance by organizations

- A. True
- B. False

Answer: A

NEW QUESTION 9

Fraud risks related to corruption include all of the following EXCEPT

- A. Espionage by competitor
- B. Aiding and abetting vendor fraud
- C. Payment of bribes
- D. Receipt of kickbacks

Answer: D

NEW QUESTION 10

Which of the following statements about the fraud risk assessment process is MOST ACCURATE"?

- A. To ensure the independence of the team members a fraud risk assessment must be conducted by a consultant or other external party.
- B. The assessment team must be perceived as independent and objective by others for the assessment to be effective
- C. If the individuals conducting the fraud risk assessment truly believe that fraud could not happen at the organization the assessment process should reflect that belief.
- D. The fraud risk assessment is most effective when management's influence on the process is limited.

Answer: A

NEW QUESTION 10

During the course of a fraud examination. Stefan, an employee of Acme Inc., approaches Marten, a Certified Fraud Examiner (CFE) and fellow employee of Acme, and tells him that he knows of a major fraud being committed by the chief financial officer (CFO). However. Stefan says he can only provide details if Marten promises him absolute confidentiality. How should Marten respond?

- A. Agree that the information will be held in confidence, even though Marten knows it will not be
- B. Take Stefan's request straight to Acme Inc.'s management
- C. Tell Stefan that he will try to keep the information as confidential as possible
- D. Not agree to the request for confidentiality

Answer: C

NEW QUESTION 11

International Standard on Auditing (ISA) 240 establishes auditors as being primarily responsible for the prevention and detection of fraud within an organization

- A. True
- B. False

Answer: B

NEW QUESTION 13

According to G20/OECD Principles of Corporate Governance (the Principles):

- A. Governments should have in place a corporate governance framework that promotes transparent and fair markets
- B. Companies should disclose all financial information to investors, regardless of the cost burden of the disclosure
- C. A corporate governance framework should focus on the rights of shareholders but does not need to include the rights of other organizational stakeholders
- D. All of the above

Answer: A

NEW QUESTION 16

Jenny is a highly respected employee at XYZ Corp Her husband's gambling addiction has caused them to have a significant amount of debt Jenny begins stealing money from the company to cover her husband's gambling losses. This situation best illustrates which leg of the Fraud Triangle?

- A. Perceived opportunity
- B. Rationalization
- C. Perceived non-shareable financial need
- D. Perceived acquiescence

Answer: C

NEW QUESTION 18

Effective risk management involves balancing which of the following?

- A. The organization's internal controls and its financial goals
- B. The organization's financial reporting model and its risk tolerance
- C. The organization's regulatory requirements and its available resources
- D. The organization's risk appetite and its ability to meet its objectives

Answer: C

NEW QUESTION 19

In the area of criminological theory, compliance is the theory that tries to prevent crime by providing economic incentives for voluntary conformity to the laws and using administrative efforts to control violations before they occur.

- A. True
- B. False

Answer: A

NEW QUESTION 23

Sofia, a Certified Fraud Examiner (CFE), took an introductory class in computer forensics. When a client thought there might be evidence of a crime on his hard drive, Sofia decided to conduct a forensic examination of the hard drive even though she had no experience or advanced training in this area. Sofia's conduct would likely be a violation of the ACFE Code of Professional Ethics.

- A. True
- B. False

Answer: A

NEW QUESTION 26

Which of the following statements is FALSE regarding an organization's fraud risk management program?

- A. A formal sanctions for intentional noncompliance should be well-publicized throughout the company.
- B. There should be measures in place to address failures in the design or operation of anti-fraud controls, as well as fraud occurrences.
- C. The program must include mechanisms to monitor and identify breaches in compliance.
- D. The responsibility of handling suspected incidences of noncompliance should be delegated to someone outside of the company.

Answer: A

NEW QUESTION 29

According to modern criminological studies, which of the following is the determinant aspect of white-collar crime?

- A. Organizational opportunity
- B. Absence of risk factors
- C. Potential legal punishment
- D. Social status

Answer: D

NEW QUESTION 32

The existence of many specialized departments within a company generally decreases the overall risk of fraud within the organization.

- A. True
- B. False

Answer: A

NEW QUESTION 34

In response to a risk identified during a fraud risk assessment, management decides to purchase fidelity insurance to help protect the company against the associated risk of loss. This response is known as:

- A. Mitigating the risk
- B. Assuming the risk
- C. Avoiding the risk
- D. Transferring the risk

Answer: D

NEW QUESTION 36

According to the 2018 Report to the Nations, which of the following is the most common method by which frauds are detected?

- A. Confession
- B. External audit
- C. Tips
- D. Internal audit

Answer: C

NEW QUESTION 37

Julia is conducting a formal assessment of XYZ Corporation's ethical culture. To which of the five components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework) does her assessment pertain?

- A. Control environment
- B. Monitoring
- C. Control activities
- D. Information and communication

Answer: A

NEW QUESTION 39

Open-door management policies are a fraud prevention mechanism that addresses which leg of the Fraud Triangle?

- A. Opportunity
- B. Willingness
- C. Lack of integrity
- D. Pressure

Answer: A

NEW QUESTION 42

Consistently punishing perpetrators can be an effective fraud prevention mechanism.

- A. True
- B. False

Answer: B

NEW QUESTION 46

Effectively documenting and communicating organizational hierarchies, including the proper flow of information, can be a helpful tool in preventing fraud

- A. True
- B. False

Answer: A

NEW QUESTION 51

The theory of differential association is used frequently to explain white-collar criminality Which of the following is NOT one of the assertions or principles of differential association?

- A. Criminal behavior is learned from other people in a process of communication
- B. Criminal behavior is learned using the same mechanisms as other learning
- C. Criminal behavior is acquired through participation with intimate personal groups
- D. The process of learning criminal behavior Is the same as pure imitation

Answer: C

NEW QUESTION 52

In response to an employee s failure to meet performance expectations. a manager demotes the employee to a junior-level position This is an example of what type of behavioral response?

- A. Negative reinforcement
- B. Punishment
- C. Positive reinforcement
- D. None of the above

Answer: D

NEW QUESTION 53

Which of the following is FALSE regarding the fraud risk assessment team?

- A. The team members should have experience in gathering and eliciting information
- B. The team size should be limited to a maximum of three individuals.
- C. The team members might include both internal and external sources
- D. The team should consist of individuals with diverse knowledge, skills, and perspectives.

Answer: B

NEW QUESTION 54

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treackway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance?

- A. Event avoidance
- B. Compliance
- C. Risk tolerance
- D. Review and revision

Answer: C

NEW QUESTION 57

According to International Organization for Standardization (ISO) 31000 2018, an organization's risk management program should be proportionate to the organization's specific operations and objectives.

- A. True
- B. False

Answer: A

NEW QUESTION 59

Independent auditors play a critical role in enhancing the reliability of financial information by financial position and performance in compliance with accepted accounting standards.

- A. True
- B. False

Answer: A

NEW QUESTION 63

Which of the following statements regarding document retention policies (DRPs) is TRUE?

- A. Document retention policies do not need to include protocols for preserving electronic documents as most IT systems automatically preserve copies of such data
- B. When establishing a document retention policy, management should consider any industry-specific rules for documenting and regaining records
- C. An effective document retention policy permits the organization to continue the destruction of documents when faced with potential litigation
- D. All of the above

Answer: D

NEW QUESTION 66

Which of the following is TRUE regarding the reporting of the fraud risk assessment results?

- A. A fraud risk assessment report should reflect the assessment team's subjective perspective regarding the risks identified
- B. The fraud risk assessment report should be delivered in a style most suited to the language of the business
- C. The fraud risk assessment report should contain a detailed, comprehensive list of every assessment finding
- D. All of the above

Answer: D

NEW QUESTION 69

Which of the following is a detective anti-fraud control?

- A. Separation of duties
- B. Hiring policies and procedures
- C. Independent reconciliations
- D. Fraud awareness training

Answer: A

NEW QUESTION 70

In a company with all of the following parties, who should have primary responsibility for the oversight of the organization's compliance program?

- A. The board of directors
- B. General counsel
- C. Internal audit
- D. The chief ethics officer

Answer: A

NEW QUESTION 75

Which of the following is FALSE regarding fraud examiners' responsibilities under the ACFE Code of Professional Ethics?

- A. Confidential information provided to fraud examiners by their clients is considered privileged and therefore legally exempt from disclosure in all circumstances
- B. In determining what information to include in a fraud examination report, fraud examiners should try to decide what users will consider important and material
- C. If fraud examiners become aware of a situation that might appear to others as though they have a conflict of interest, they should immediately disclose the situation to company management
- D. Fraud examiners must obtain and document evidence in a manner that ensures that the chain of custody is preserved

Answer: B

NEW QUESTION 76

According to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework), there are five interrelated components of a company's internal control. Which of the following is NOT among these five components?

- A. Ethical culture
- B. Risk assessment
- C. Control activities
- D. Monitoring

Answer: A

NEW QUESTION 77

In identifying the inherent fraud risks that could apply to the organization the fraud risk assessment team should discuss

- A. The possibility of management override of controls
- B. Risks to the organization's reputation
- C. The organization's incentive programs
- D. All of the above

Answer: D

NEW QUESTION 82

Which of the following statements is TRUE regarding how fraud examiners should exercise professional skepticism during a fraud examination engagement?

- A. Professional skepticism involves maintaining a mindset that no fraud has occurred
- B. Fraud examiners should not relax their skeptical attitudes even if there are no signs of fraudulent activity.
- C. Fraud examiners should form the engagement hypothesis without regard to the available preliminary information
- D. Professional skepticism means beginning all assignments with the belief that something is amiss

Answer: D

NEW QUESTION 83

The fact that most groups within groups a society have the same ideas of right and wrong greatly assists in the ability to determine the correct ethical decision in a given situation.

- A. True
- B. False

Answer: B

NEW QUESTION 87

Which of the following is NOT included in G20/OECD Principles of Corporate Governance (the Principles)?

- A. A request that governments have in place an appropriate framework to support good corporate governance practices
- B. Recognition of the importance of the role of stakeholders in corporate governance
- C. Support for establishing stronger protection for foreign shareholders than for domestic shareholders
- D. Guidance regarding appropriate board structures, responsibilities, and procedures

Answer: C

NEW QUESTION 92

Which of the following is NOT explicitly prohibited by the ACFE Code of Professional Ethics?

- A. Participating in an activity where there is an undisclosed conflict of interest
- B. Engaging in behavior that is against the law
- C. Drawing conclusions based upon evidence
- D. Acting in a way that could be deemed unethical by the industry

Answer: C

NEW QUESTION 97

According to Diane Vaughan, which of the following factors increases an organization's inherent inclination toward committing crime?

- A. Management links employee performance goals with company performance goals
- B. Rewards are given to employees who challenge the status quo
- C. Management seeks out diversity in attitudes and perspectives when hiring employees
- D. All of the above

Answer: B

NEW QUESTION 99

Article II of the ACFE Code of Professional Ethics prohibits illegal or unethical conduct, but it allows exceptions for unknowing violations of the law

- A. True
- B. False

Answer: B

NEW QUESTION 103

Which of the following is NOT a purpose served by a professional organization's code of conduct?

- A. It provides more direct solutions to professional ethical dilemmas than might exist under general ethical principles
- B. It serves as a reference and benchmark for ethical guidance
- C. It provides clear answers to all ethical dilemmas the organization's members might face
- D. It facilitates practical enforcement and profession-wide internal discipline

Answer: B

NEW QUESTION 108

Which of the following is FALSE regarding the process of defining the objective of the fraud risk management program?

- A. Management must assign a quantitative measure to its risk appetite so that it can accurately measure the fraud risk management program's effectiveness
- B. Management should express risk appetite in a manner that is appropriate for and unique to the organization's culture and operations.
- C. Management should examine previous fraud occurrences to determine how the ideal fraud risk management program would have prevented them.
- D. Management must consider the total amount of fraud risk it is willing to accept when determining fraud risk management objectives

Answer: D

NEW QUESTION 113

According to Silk and Vogel's research, business leaders rationalize legal violations by asserting that the damage done by the violations is diffused among a large number of parties.

- A. True
- B. False

Answer: A

NEW QUESTION 118

Which of the following is among the audit committee's primary responsibilities related to fraud risk management?

- A. Understanding how internal and external audit strategies address fraud risk
- B. Designing the fraud risk management program
- C. Punishing fraud perpetrators discovered through fraud risk management activities
- D. Implementing the fraud risk management program

Answer: B

NEW QUESTION 120

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