

ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam



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

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 3

Which of the following is FALSE regarding a background check policy for employees?

- A. Where permitted by law
- B. management should run a background check on any existing employee who is being promoted to a position that includes access to sensitive or valuable company resources, even if a background check was run on the individual at the time of hire
- C. When verifying past employment, management should only ask previous employers to verify the dates the candidate was employed.
- D. As part of the screening process, management should contact the references provided by the job candidate
- E. At a minimum, management should conduct a background check on any candidate who will have constant access to cash, checks, and credit card numbers, or other easily stolen items.

Answer: B

NEW QUESTION 4

Which of the following theories suggests that, when considering the possibility of violating a law, people are likely to ask themselves, "What would my family and friends think if they find out?"

- A. Cognitive theory
- B. Social control theory
- C. Behavioral theory
- D. Routine activities theory

Answer: B

NEW QUESTION 5

As part of her audit of ABC Corp., Rachel, a CPA, is identifying the risks of material misstatement due to fraud. As part of this task, she should evaluate any unexpected relationships that she identified in performing analytical procedures.

- A. True
- B. False

Answer: A

NEW QUESTION 6

Which of the following statements regarding white-collar defendants is TRUE?

- A. The lower the offenders' social status, the more likely they are to be imprisoned
- B. They are more likely to be fined than to face prison terms as punishment
- C. They are less likely to insist on a trial than other offenders
- D. All of the above

Answer: B

NEW QUESTION 7

Which of the following is FALSE regarding an organization's anti-fraud policy?

- A. A detailed anti-fraud policy can make it easier to investigate and punish employees who commit fraud and other dishonest acts.
- B. One of the most important considerations in developing the anti-fraud policy is to ensure every allegation is handled in a uniform manner.
- C. To avoid legal problems in discharging employees, the anti-fraud policy should not include any specific examples of fraud and misconduct.
- D. In developing the anti-fraud policy, management should check with legal counsel regarding any legal considerations with respect to the policy.

Answer: C

NEW QUESTION 8

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 9

Which of the following principles of corporate governance pertains to the duty of the organization to act in the best interest of society?

- A. Responsibility
- B. Fairness
- C. Transparency
- D. Accountability

Answer: B

NEW QUESTION 10

Employees should be kept unaware that management is watching for lifestyle and behavior changes in staff members that might indicate fraud

- A. True
- B. False

Answer: A

NEW QUESTION 10

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 11

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 13

Which of the following best describes the purpose of The National Commission on Fraudulent Financial Reporting (the Treadway Commission)?

- A. Studying the effect of the threat of vicarious liability on the behavior of corporate executives
- B. Designing a model corporate compliance program
- C. Defining the responsibility of the auditor in preventing and detecting fraud
- D. Determining the specific requirements of the Principles of Risk Management

Answer: C

NEW QUESTION 14

Glenda, an internal auditor, and Bridgette, an accounts receivable clerk, have had several heated disagreements over accounting procedures and policies. Glenda has just been told that she will be the lead on the company's fraud risk assessment. During the fraud risk assessment, Glenda should:

- A. Include her disagreements with Bridgette as a factor when assessing the risk of fraud in the accounts receivable department
- B. Automatically designate the accounts receivable department as a high-risk area
- C. Confront Bridgette about the disagreements and discuss how they increase the department's risk of fraud
- D. Have someone else perform the fraud risk assessment work related to the accounts receivable department's activities

Answer: C

NEW QUESTION 19

A corporation can generally be held criminally responsible for criminal acts committed by its employees even if those in management had no knowledge of or participation in the underlying events.

- A. True
- B. False

Answer: A

NEW QUESTION 24

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 25

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 29

Which of the following is FALSE regarding proactive fraud auditing procedures?

- A. Implementing proactive fraud audit procedures demonstrates management's intention to aggressively seek out possible fraudulent conduct.
- B. Fraud audit procedures should be designed to incorporate an element of surprise.
- C. Analytical review of the financial statements is best used to uncover small frauds that might be missed by other detection methods.
- D. Fraud assessment questioning techniques are most appropriately used as part of the normal audit process.

Answer: C

NEW QUESTION 33

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 38

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 42

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 44

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 49

Which of the following is FALSE regarding corporate governance'

- A. Effective corporate governance practices are most necessary in an organization in which the owners are not also the individuals responsible for setting and executing the business strategy
- B. Effective corporate governance practices are considered to be the foundation of fraud risk management.
- C. Corporate governance's primary purpose is to ensure the accuracy of the organization's financial reports
- D. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization.

Answer: D

NEW QUESTION 50

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 55

To be in compliance with the ACFE Code of Professional Ethics, fraud examiners must have:

- A. A sufficient skill and knowledge to recognize when additional training or expert guidance is required
- B. An expert level of experience for every circumstance that might be encountered in a fraud examination
- C. An expert level of knowledge for every circumstance that might be encountered in a fraud examination
- D. Sufficient resources to obtain the training needed to become an expert on all facets of fraud examinations

Answer: D

NEW QUESTION 58

Which of the following is NOT one of the three general approaches used to control corporate crime?

- A. Consumer action to force change
- B. Voluntary changes in corporate attitudes and structure
- C. Media blacklisting of the organization
- D. Strong intervention of the government

Answer: B

NEW QUESTION 63

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 68

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing states that

- A. The internal auditor must apply the skill and care of an expert whose primary responsibility is investigating fraud
- B. The internal auditor must apply the skill and care of an expert whose primary responsibility is detecting fraud.
- C. The internal auditor must apply the skill and care of an unbiased, infallible audit professional.
- D. The internal auditor must apply the skill and care of a reasonably prudent and competent internal auditor

Answer: C

NEW QUESTION 70

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