

ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam



NEW QUESTION 1

According to behaviorists such as B F Skinner, which of the following scenarios is mostly likely to occur when an undesired behavior is punished?

- A. The behavior will be permanently suppressed
- B. The behavior will return when punishment ceases
- C. The behavior will occur more frequently.
- D. The behavior will not be affected by the punishment

Answer: A

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 NOT included in the five fraud risk management principles described

- A. Communicating the expectations of those governing the fraud risk management program
- B. Deploying preventive and detective fraud control activities to mitigate fraud risk
- C. Performing comprehensive fraud risk assessments to identify specific fraud schemes
- D. Developing one-time evaluations for each fraud risk management principle

Answer: D

NEW QUESTION 4

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 5

White, a Certified Fraud Examiner (CFE). was hired to conduct a fraud examination. She did not find fraud, but. in White's opinion, there were several internal control deficiencies that, if not remediated, could facilitate the occurrence of fraud. Under the ACFE Code of Professional Ethics. White may include her opinion on the controls in her report to management

- A. True
- B. False

Answer: A

NEW QUESTION 6

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 7

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 8

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 9

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 10

Maria conducted a fraud examination that led to a valid confession of guilt from Rita. In Maria's verbal report to her superiors, she stated that, in her opinion. "Rita is guilty of embezzlement." Maria has just violated the ACFE Code of Professional Ethics.

- A. True
- B. False

Answer: B

NEW QUESTION 10

Which of the following is NOT a way that an organization's fraud risk assessment should be incorporated into the audit process"

- A. It should be used to replace the auditor's own identification and assessment of fraud risks.
- B. It should be used to assess whether there is a moderate-to-high risk of management override of internal controls within the moderate-to-high fraud risk areas
- C. It should be used to increase awareness in the development of audit programs for areas that have been identified as having a moderate-to-high risk of fraud.
- D. It should be used to design audit tests to evaluate whether the controls are operating effectively

Answer: A

NEW QUESTION 15

Jenny is a highly respected employee at XYZ Corp Her husbands gambling addiction has caused them to have a significant amount of debt Jenny begins stealing money from the company to cover her husbands 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 16

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 17

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 22

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 24

In developing a corporate governance framework for an organization, directors and management must consider which of the following?

- A. The organization's cultural environment
- B. The organization's legal and regulatory environment
- C. The organization's ethical environment
- D. All of the above

Answer: D

NEW QUESTION 26

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 31

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: A

NEW QUESTION 34

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 35

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 37

An effective system of internal controls:

- A. Decreases the perception that fraud will be detected
- B. Focuses more on detective controls than preventive controls
- C. Focuses more on preventive controls than detective controls
- D. Does not completely eliminate the risk of fraud

Answer: C

NEW QUESTION 41

According to the 2018 Report to the Nations, schemes are the most common form of occupational fraud, while corruption is the costliest form of occupational fraud.

- A. Financial statement fraud, corruption
- B. Asset misappropriation; financial statement fraud
- C. Asset misappropriation; corruption
- D. Corruption; asset misappropriation

Answer: C

NEW QUESTION 44

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 48

Consistently punishing perpetrators can be an effective fraud prevention mechanism.

- A. True
- B. False

Answer: B

NEW QUESTION 49

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 52

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 54

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines as "a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

- A. Fraud risk management
- B. Corporate compliance
- C. Internal control
- D. Risk assessment

Answer: C

NEW QUESTION 57

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 60

In the context of fraud examination, integrity requires all of the following EXCEPT:

- A. Subordination of desires for personal gain to the interests of clients, employers, and the public
- B. Avoidance of differences of opinion
- C. Independence of mental attitude
- D. An ability to analyze situations where no professional rules are specifically applicable and determine right from wrong

Answer: B

NEW QUESTION 64

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 68

Blue, a Certified Fraud Examiner (CFE), had an ethical dilemma regarding the contract governing one of his professional engagements. Which of the following sources of guidance would be considered the lowest level of reference to help Blue in determining the most ethical course of action?

- A. Contract law
- B. The handling of similar situations by individuals he respects
- C. Moral philosophical principles
- D. The ACFE Code of Professional Ethics

Answer: B

NEW QUESTION 69

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 71

The objective of anti-fraud controls is to:

- A. Completely eliminate residual fraud risk
- B. Reduce the residual fraud risk to a level that is significantly smaller than the inherent fraud risk
- C. Reduce the inherent fraud risk to a level that is significantly smaller than the residual fraud risk.
- D. Completely eliminate inherent fraud risk

Answer: A

NEW QUESTION 73

Smith, a retail sales manager, wants to decrease the level of cash register over-and-short discrepancies among his sales team. According to behaviorist theories, which of the following options would be the most effective way for Smith to encourage his team members to keep their cash drawers in balance?

- A. Offer a bonus to anyone whose drawer reconciles perfectly for sixty days.
- B. Take away an hour of paid time off for each time the drawer is over or short.
- C. Publicly call out and criticize employees whose cash drawers are over or short
- D. Demote employees who continue to have reconciliation discrepancies

Answer: A

NEW QUESTION 75

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 80

A report by a fraud examiner is privileged from disclosure by anyone other than the client

- A. True
- B. False

Answer: A

NEW QUESTION 82

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 84

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 87

Which of the following is FALSE regarding the discussion about the financial statements susceptibility to fraud that auditors are required to have under International Standard on Auditing (ISA) 240?

- A. A The audit team should discuss how management could conceal fraud
- B. The audit team should consider factors that provide the opportunity for fraud.
- C. The audit team should focus solely on how the company's assets could be misappropriated
- D. The audit team should consider whether the organizational culture might enable the rationalization of fraud

Answer: D

NEW QUESTION 89

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 93

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 98

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 102

Which of the following statements is FALSE?

- A. Controls do little good in preventing theft and fraud if those at risk do not know of their presence
- B. Most experts agree that it is harder to detect frauds than to prevent them
- C. Conducting covert audits is among the most effective fraud prevention methods
- D. Educating employees about company hotlines and reporting programs increases their perception of detection

Answer: A

NEW QUESTION 103

Professional auditing standards suggest that auditors incorporate an "element of predictability" in the selection of auditing procedures to be performed so that they ensure the same areas are tested in the same manner during each audit.

- A. True
- B. False

Answer: A

NEW QUESTION 107

Which of the following would most likely be a violation of the ACFE Code of Professional Ethics?

- A. Susan, a CFE was hired by a client to conduct a fraud examination but found nothing amiss A year later, she received a legal order from the local prosecutor's office to provide the client's file Susan complied with the court order, even though she did not have the client's authorization to do so
- B. Green, a CF

- C. uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigatin
- D. In his final report to managemen
- E. Green included information about the deficiencies even though they were unrelated to the situation he was hired to investigate.
- F. Stephanie, a CF
- G. accepted a fraud examination assignment and then instructed a lower-level employee to assess the company's cash records for signs of fraud She took his word when he said there was no evidence of wrongdoing and ended up failing to uncover a very costly fraud scheme.
- H. All of the above are violations

Answer: C

NEW QUESTION 112

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