

Exam Questions CFE-Financial-Transactions-and-Fraud-Schemes

Certified Fraud Examiner - Financial Transactions and Fraud Schemes Exam

<https://www.2passeasy.com/dumps/CFE-Financial-Transactions-and-Fraud-Schemes/>



NEW QUESTION 1

Which of the following offender types in which people who take the money and run away?

- A. Absconders
- B. Long-term violators
- C. Offender types
- D. None of the above

Answer: A

NEW QUESTION 2

In Fraud scale pressure, opportunity and integrity variables all results in a list of ____ possible red flags or indicators of occupational fraud and abuse.

- A. 81
- B. 82
- C. 83
- D. 84

Answer: B

NEW QUESTION 3

The act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit, contrary to duty and rights of others is called:

- A. Conflict of interest
- B. Corruption
- C. Bribery
- D. Overbilling

Answer: B

NEW QUESTION 4

Bank cut-off statements should be requested for 10-15 days after the closing date of the balance sheet.

- A. True
- B. False

Answer: A

NEW QUESTION 5

_____ may be defined as the offering, giving, receiving or soliciting anything of value to influence an official act.

- A. Corruption
- B. Diverting business to vendors
- C. Bribery
- D. Lacking approval authority

Answer: C

NEW QUESTION 6

False billing scheme states that:

- A. employees do not cause their company to purchase merchandise that the company does not need.
- B. employees cause their company to sale merchandise that the company does not need.
- C. employees do not cause their company to sale merchandise that the company does not need.
- D. employees cause their company to purchase merchandise that the company does not need

Answer: D

NEW QUESTION 7

The principle behind full disclosure is:

- A. Any material deviation from GAAP must be explained to the reader of the financial information.
- B. Any material deviation from SAS must be explained to the writer oh the financial information.
- C. Any material deviation from GAAP must be explained to writer of the financial information.
- D. None of above

Answer: A

NEW QUESTION 8

Once the expense account is closed, it becomes a historical item and probably will never be reviewed again.

- A. True

B. False

Answer: A

NEW QUESTION 9

What is sometimes used to overcome well-designed internal controls of a victim company?

- A. Shell company
- B. Fraudulent invoices
- C. Collusion
- D. Rubber stamp supervisors

Answer: C

NEW QUESTION 10

_____ increase assets and expenses and/or decrease liabilities and/or equity

- A. Journal Entries
- B. Debit
- C. Credit
- D. None of all

Answer: B

NEW QUESTION 10

_____ is defined as a person who works for the victim organization and who is primary culprit

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Principal perpetrator

NEW QUESTION 12

The fraudsters?? interest lies with an employer other than a company.

- A. True
- B. False

Answer: B

NEW QUESTION 15

Accounting records are designed to be kept on subjective rather than objective evidence.

- A. True
- B. False

Answer: B

NEW QUESTION 18

The most common method for billing scheme is:

- A. Register
- B. Tips
- C. Accident
- D. None of the above

Answer: B

NEW QUESTION 19

In _____ scheme, a supplier pays an employee of the purchasing company to write specifications that will require amendments at a later date.

- A. Deliberate writing of vague specifications
- B. Need recognition
- C. False specification
- D. Bid-splitting

Answer: A

NEW QUESTION 21

Bid-rigging scheme occurs when:

- A. an employee fraudulently assists a vendor in winning a contract through the competitive bidding process.
- B. an employee does not assist a vendor in winning a contract through the competitive bidding process.
- C. an employee once assists a vendor in winning a contract through a single competitive bidding process.
- D. an employee once assists a vendor in winning a contract through a single competitive bidding process.

Answer: A

NEW QUESTION 23

Which of the following is NOT standard of generally accepted accounting principles?

- A. Conservatism
- B. Cost
- C. Full disclosure
- D. Quality control

Answer: D

NEW QUESTION 24

The amount of cash on hand in a register may be compared to the amount showing in the register tape in order to detect _____.

- A. Employee theft
- B. Recorded sales
- C. Internal audits
- D. Occupational frauds

Answer: A

NEW QUESTION 29

_____ is to allow the owner, investors, creditors and others with an interest to know the appropriate book worth of the business at a particular date.

- A. Equity
- B. Balance sheet
- C. Income statement
- D. Financial record

Answer: B

NEW QUESTION 33

A variation between the physical inventory and the perpetual inventory totals is called:

- A. Altered inventory
- B. Account receivable
- C. Shrinkage
- D. Write-offs

Answer: C

NEW QUESTION 34

Which of the following is NOT the type of billing scheme?

- A. Invoicing via shell companies
- B. Invoicing via non-accomplice companies
- C. Invoicing via accomplice companies
- D. Personal purchases with company funds

Answer: C

NEW QUESTION 39

Which of the following is NOT the reason why senior management will overstate business statement?

- A. Comply with debit covenants
- B. Meet personal performance criteria
- C. Trigger performance related compensation
- D. Show a pattern of growth to support sale of a business

Answer: A

NEW QUESTION 43

In Cressey's fraud triangle, its three of the legs are Opportunity, Pressure and

- A. Violation
- B. Isolation
- C. Rationalization
- D. None of the above

Answer: C

NEW QUESTION 48

A fabricated name and the post office box that an employee uses to collect disbursements from false billings is called:

- A. Accomplice residence
- B. Shell company
- C. Perpetrator check
- D. Cash generator

Answer: B

NEW QUESTION 50

Depreciation is especially applicable when companies try to overvalue their assets and net worth; the lower their depreciation expense, the higher the company??s profits.

- A. True
- B. False

Answer: A

NEW QUESTION 51

Perceived certainty of detection is directly related to employee theft for respondents in all industry sectors, that is the stronger the perception that theft would be detected, the more the likelihood that the employee would engage in deviant behavior.

- A. True
- B. False

Answer: B

NEW QUESTION 56

A special scheme in which employees know their employer is seeking to purchase a certain asset and take advantage of the situation by purchasing the asset themselves is:

- A. Conflict of interest in sale
- B. Turnaround sale or flip
- C. Unauthorized sale
- D. Written sale of unique assets

Answer: B

NEW QUESTION 61

_____ and _____ are used to increase (or decrease) the equity account.

- A. Journal Entries & Debit
- B. Journal Entries & transactions
- C. Journal Entries & Credit
- D. None of all

Answer: B

NEW QUESTION 66

The person or persons who have access to _____ are often the targets of unethical vendors seeking an advantage in the process.

- A. Bid-splitting
- B. Sealed bids
- C. General purchasing
- D. Tailor specifications

Answer: B

NEW QUESTION 68

If the assets are intentionally purchased by the company but simply misappropriated by the fraudster, this is referring to as:

- A. Inventory larceny scheme
- B. Asset receiving scheme
- C. Fraudulent purchase
- D. Falsify shipping

Answer: A

NEW QUESTION 72

Every bribe is a two-sided transaction, in which where a vendor bribes a purchaser, there is someone on the vendor??s side of the transaction who is not making an illicit payment.

- A. True
- B. False

Answer: B

NEW QUESTION 76

_____ assumes the business will go on indefinitely in the future.

- A. Materiality
- B. Going concern
- C. Cost
- D. Fair value

Answer: B

NEW QUESTION 79

A shell company scheme in which actual goods or services are sold to the victim company is known as:

- A. Maintenance scheme
- B. Allocation scheme
- C. Distribution scheme
- D. Pass-through scheme

Answer: D

NEW QUESTION 81

According to a survey, in principal perpetrator, males in a majority of cases, accounting for _____ percent of frauds versus _____ percent in which a female was the primary culprit.

- A. 62 versus 36
- B. 61 versus 39
- C. 62 versus 37
- D. None of the above

Answer: B

NEW QUESTION 86

One final means of concealing a register scheme, as with many kinds of fraud, is to destroy all records of the transaction.

- A. True
- B. False

Answer: A

NEW QUESTION 87

A _____ can be very costly for an organization to undertake, both in terms of money and time spent.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Civil lawsuit

NEW QUESTION 90

The prime targets for skimming schemes which are hard to monitor and predict such as late fees and parking fees, are:

- A. Revenue sources
- B. Recorded sales
- C. Internal audits
- D. Register manipulations

Answer: A

NEW QUESTION 94

How many accounts are affected in fraudulent accounting entries and therefore same number of categories on the financial statement?

- A. One
- B. At least two
- C. More than two
- D. None of above

Answer: A

NEW QUESTION 98

The forms that allow noncash assets to be moved from one location in a company to another can be used to facilitate the misappropriation of those assets are called:

- A. Inventory usages
- B. Fake sales
- C. Asset requisition
- D. All of the above

Answer: C

NEW QUESTION 100

In which of the following process, all bidders are legally supposed to be placed on the same plane of equality, bidding on the same terms and conditions?

- A. Bid-rigging
- B. Kickbacks
- C. Competitive bidding
- D. Bid solicitation

Answer: C

NEW QUESTION 103

Collusion or bid-rigging between bidders is called

- A. Bribery receipt
- B. Bid solicitation
- C. To withdraw low bids
- D. Contract acceptance

Answer: D

NEW QUESTION 108

In which approach, fraudsters produce whatever financial statements they wish, perhaps using just a typewriter or a personal computer.

- A. Organized accounting
- B. Playing the accounting
- C. Beating accounting
- D. Outside accounting system

Answer: D

NEW QUESTION 110

The scheme which reduces victim companies to issue fraudulent payments for goods or services that they have not received is called:

- A. Bogus claims
- B. Billing scheme
- C. Reliance billing
- D. Misappropriate claims

Answer: A

NEW QUESTION 115

The heart of book keeping system is the _____.

- A. Asset
- B. Liability
- C. Checkbook
- D. Journal

Answer: C

NEW QUESTION 116

Theft of incoming checks usually occurs when _____ is (are) in charge of opening the mail and recording the receipt of payments.

- A. Single employee
- B. Two employees
- C. More than two employees
- D. None of the above

Answer: A

NEW QUESTION 119

Entering a sales total lower than the amount actually paid by the customer is called:

- A. Underrings a sale

- B. Recording a sale procedure
- C. Internal sales audits
- D. All of the above

Answer: A

NEW QUESTION 120

The price of an asset on which the asset is selling at on the open market in a transaction between a willing buyer and a willing seller is called:

- A. Absolute value
- B. Fair value
- C. Cost value
- D. material value

Answer: B

NEW QUESTION 124

When employee committing the fraud removes cash from the register and also the item allegedly being returned is debited back into the inventory, this refers to:

- A. Registry destroying records
- B. Register false voids
- C. Fraudulent register occurrences
- D. Concealing register disbursement

Answer: D

NEW QUESTION 128

Statistical sampling enables the examiner to predict the occurrence rate for the population and therefore determine with some accuracy the error rate, or the potential for fraud.

- A. True
- B. False

Answer: A

NEW QUESTION 130

Multiple cashiers operate from a single cash drawer without separate access codes is a red flag for:

- A. Fraudulent scheme
- B. Disbursement scheme
- C. Register scheme
- D. Force inventory scheme

Answer: C

NEW QUESTION 134

A technique by which checks are numbered using a new technique that is revealed by a colored highlighter pen or by a bright light held behind the check is called:

- A. Microline numbering
- B. Holographic safety border
- C. Embossed pearlescent numbering
- D. None of the above

Answer: B

NEW QUESTION 136

Physical tampering prevention is a check tampering technique that is used to secure bankassisted controls.

- A. True
- B. False

Answer: B

NEW QUESTION 140

Which check tampering red flag may indicate employees have embezzled cash and charged the embezzlement to expense accounts?

- A. Voided checks
- B. Payable checks
- C. Missing checks
- D. Duplicate checks

Answer: C

NEW QUESTION 143

The seller's price to the buyer is not fixed or determinable when:

- A. When the price is not contingent on some future events
- B. The transaction includes an option to exchange the product for others.
- C. A service or membership fee is not subject predictable cancellation during the contract period.
- D. Payment terms are not extended for a substantial period.

Answer: B

NEW QUESTION 146

Which of the following is NOT the type of billing scheme?

- A. Invoicing via shell companies
- B. Invoicing via non-accomplice companies
- C. Invoicing via accomplice companies
- D. Personal purchases with company funds

Answer: C

NEW QUESTION 147

Another way to eliminate competition in the solicitation phase of the selection process is to:

- A. Solicit bid from fictitious suppliers
- B. Solicit transaction from fictitious vendors
- C. Solicit bid-splitting from fictitious vendors
- D. None of the above

Answer: A

NEW QUESTION 152

_____ can be detected by closely examining the documentation submitted with the cash receipts.

- A. Voided purchases
- B. Fictitious refunds
- C. Approved transaction
- D. None of the above

Answer: B

NEW QUESTION 156

Which of the following can constitute a bribe, even if the illicit payment is never actually made?

- A. Offering a payment
- B. Corruption in payment
- C. kickback payment
- D. Overbilling in payment

Answer: A

NEW QUESTION 158

According to SAB 104, for the revenue to be typically considered realized or realizable and earned, which of the following criteria is NOT met:

- A. Persuasive evidence of an arrangement exists
- B. Services has been rendered
- C. Timings have been met
- D. Collectability is reasonably assured

Answer: C

NEW QUESTION 163

Multiple cashiers operate from a single cash drawer without separate access codes is a red flag for:

- A. Fraudulent scheme
- B. Disbursement scheme
- C. Register scheme
- D. Force inventory scheme

Answer: C

NEW QUESTION 166

According to accounting principles, _____ and _____ should be recorded or atched in the same accounting period; failing to do so violates the matching principle of AAP.

- A. Revenue and corresponding expenses
- B. Revenue and Income statement

- C. Income statement and Long-term contracts
- D. Capitalized expenses and Liabilities

Answer: A

NEW QUESTION 167

Maintain the presence of a manager or supervisor near the area of the cash register as a deterrent to theft is a prevention for:

- A. Fraudulent statement scheme
- B. Asset misappropriation scheme
- C. Larceny scheme
- D. Register disbursement scheme

Answer: D

NEW QUESTION 168

Which of the following is NOT the method for stealing inventory and other assets?

- A. Larceny schemes
- B. Asset requisition and transfer
- C. Purchasing and receiving schemes
- D. Sales & Equipment handling

Answer: D

NEW QUESTION 170

Persuasive evidence of an arrangement does not exist when:

- A. Revenue and corresponding expenses doesn't match each other.
- B. No written or verbal agreement exists.
- C. Timings not meet properly
- D. Capitalized expenses and Liabilities will not be up to satisfied level

Answer: B

NEW QUESTION 175

What is sometimes used to overcome well-designed internal controls of a victim company?

- A. Shell company
- B. Fraudulent invoices
- C. Collusion
- D. Rubber stamp supervisors

Answer: C

NEW QUESTION 178

In physical tampering prevention technique, hidden images can be seen only when the check is held at an angle through:

- A. High-resolution sprays
- B. Holographic safety inks
- C. Watermark backers
- D. Chrome coloring

Answer: C

NEW QUESTION 183

Placing any restriction in the solicitation documents that tend to restrict competition is called prebid solicitation.

- A. True
- B. False

Answer: A

NEW QUESTION 184

Which of the following are the classifications for the Corruption?

- A. Bribery, economic extortion, illegal gratuities and conflicts of interest
- B. Corruption, bribery, economic extortion, conflicts of interest
- C. Overbilling, bribery, bid-ridding and illegal gratuities
- D. economic extortion, bribery, illegal gratuities and corruption

Answer: A

NEW QUESTION 187

Bank statement are diligently reviewed to ensure that amounts and signature have not been altered, is an activity for:

- A. Account analysis
- B. Bank reconciliation
- C. Check disbursement controls
- D. Check tampering

Answer: C

NEW QUESTION 188

In which phase of competitive bidding process, fraudsters attempt to influence the selection of a contractor by restricting the pool of competitors from whom bids are sought?

- A. Need recognition
- B. Solicitation
- C. False specification
- D. Submission

Answer: B

NEW QUESTION 193

One reason employees might be hesitant to use PO boxes in shell company schemes is that some businesses are specially vary of sending checks to vendors that have street addresses only.

- A. True
- B. False

Answer: B

NEW QUESTION 198

Financial statement fraud is committed by:

- A. Organized criminals
- B. Mid and lower level employees
- C. Senior Management
- D. All of the above

Answer: D

NEW QUESTION 202

Which check tampering red flag may indicate employees have embezzled cash and charged the embezzlement to expense accounts?

- A. Voided checks
- B. Payable checks
- C. Missing checks
- D. Duplicate checks

Answer: C

NEW QUESTION 204

Asset misappropriations have an effect on the liabilities and do also have an indirect effect on the equity account.

- A. True
- B. False

Answer: B

NEW QUESTION 206

Skimming is:

- A. The removal of cash from a victim entity prior to its entry in an accounting system.
- B. The addition of cash from a victim entity prior to its entry in an accounting system.
- C. The removal of cash from a victim entity after its entry in an accounting system.
- D. None of above

Answer: A

NEW QUESTION 210

_____ allows the fraud examiner to inspect key attributes on a smaller portion (or sample) of those documents.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Statistical sampling

NEW QUESTION 214

By removing a tangible asset from the business (a debit), the books will be _____ by the exact amount of the tangible asset misappropriated.

- A. Journal Entries
- B. Out-of-balance
- C. False debits
- D. None of all

Answer: B

NEW QUESTION 217

Any expenses that are incurred but not paid by the end of the year are counted in our records of profit and loss, are called:

- A. Accruals
- B. Depreciations
- C. Expenses
- D. Financial record

Answer: A

NEW QUESTION 218

Physical assets including _____ and _____ are the most commonly misappropriated noncash asset in our study.

- A. Interest & Collusion
- B. Inventory & Equipment
- C. Inventory & Purchase
- D. Sales & Equipment

Answer: B

NEW QUESTION 219

_____ should be examined to see that all are properly documented and that inappropriate payments have not been made to employees.

- A. Payable cash
- B. Cash advances
- C. counterfeit checks
- D. Payable checks

Answer: B

NEW QUESTION 223

A voucher is:

- A. a file that includes the purchase order that was send to the vendor, the vendor invoice listing the cost and quantity of items purchased, and the internal receiving reports that verify the purchased items have been delivered.
- B. a figure that includes the sale order that was send to the dealer, the vendor invoice listing the cost and quantity of items sold, and the internal receiving reports that verify the purchased items have been delivered.
- C. a report that includes the purchase order that was send to the vendor, the vendor invoice listing the quality and quantity of items purchased, and the external receiving reports that verify the items have been sold.
- D. a mammogram that includes the purchase order that was send to the purchaser, the purchaser invoice listing the benefits and quantity of items purchased, and the internal receiving reports that verify the purchased items have been sold.

Answer: A

NEW QUESTION 225

A journal in which all sales made on credit or cash are listed is:

- A. Disbursement journal
- B. Accounts receivable journal
- C. Accounts payable journal
- D. General journal

Answer: B

NEW QUESTION 230

When situational pressures and perceived opportunities are low and personal integrity is high, occupational fraud is much more likely to occur than when the opposite is true.

- A. True
- B. False

Answer: B

NEW QUESTION 232

A voucher is:

- A. a file that includes the purchase order that was send to the vendor, the vendor invoice listing the cost and quantity of items purchased, and the internal receiving reports that verify the purchased items have been delivered.
- B. a figure that includes the sale order that was send to the dealer, the vendor invoice listing the cost and quantity of items sold, and the internal receiving reports that verify the purchased items have been delivered.
- C. a report that includes the purchase order that was send to the vendor, the vendor invoice listing the quality and quantity of items purchased, and the external receiving reports that verify the items have been sold.
- D. a mammogram that includes the purchase order that was send to the purchaser, the purchaser invoice listing the benefits and quantity of items purchased, and the internal receiving reports that verify the purchased items have been sold.

Answer: A

NEW QUESTION 235

Delivery has not occurred or services have not been rendered when:

- A. Until installation and customer testing and acceptance has occurred.
- B. A written order exists but contains a right of return.
- C. Both A & B
- D. Neither A nor B

Answer: B

NEW QUESTION 239

The most common method for billing scheme is:

- A. Register
- B. Tips
- C. Accident
- D. None of the above

Answer: B

NEW QUESTION 244

The difference between assets and liabilities is called:

- A. Equity
- B. Expense
- C. Revenue
- D. Income statement

Answer: A

NEW QUESTION 247

A scheme is classified as a Conflict of interest:

- A. when an employee must have some kind of ownership or employment interest in the vendor submittingthe invoice.
- B. when a salesman must have some kind of ownership or employment interest in the vendor submitting the sales.
- C. when a purchaser must have some kind of ownership or employment interest in the vendor submitting the purchase.
- D. when a dealer must have some kind of dealership interest in the vendor submitting the stock.

Answer: A

NEW QUESTION 249

_____ can be defined as conduct detrimental to the organization and to the employee.

- A. Employee deviance
- B. Employee theft
- C. Employee fraud
- D. All of the above

Answer: A

NEW QUESTION 252

A _____ occurs when an employee, manager or executive has an undisclosed economic or personal interest in a transaction that adversely affects the organization.

- A. Conflict of interest
- B. Illegal sale
- C. Unauthorized purchase
- D. Financial disclosure

Answer: A

NEW QUESTION 256

The essential elements of a _____ are an actual or constructive taking away of the goods or property of another without the consent and against the will of the owner and with a felonious intent.

- A. Larceny
- B. Abuse
- C. Fiduciary
- D. None of the above

Answer: A

NEW QUESTION 260

_____ corrupt employees can cause inventory to be fraudulently delivered to themselves or accomplices.

- A. False shipping slip
- B. False packing slip
- C. Fraudulent inventory slip
- D. False credit slip

Answer: B

NEW QUESTION 264

When employees avoid detection in a refund scheme to keep the sizes of the disbursement low, is referred to:

- A. Small disbursements
- B. Very small disbursements
- C. Simple disbursements
- D. None of the above

Answer: A

NEW QUESTION 266

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