



ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

NEW QUESTION 1

According to The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, which of the following should the internal audit team evaluate in its assessment of the risk management process?

- A. The materiality of the organization's financial statements
- B. The organization's fraud risk management initiatives
- C. The management team's assessment of the internal controls over financial reporting
- D. The organization's risk exposures relating to the sale of assets

Answer: B

NEW QUESTION 2

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 3

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 4

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 5

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 6

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 7

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 8

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 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

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 11

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 16

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 18

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 19

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 22

Employee anti-fraud education should:

- A. Include examples of prior employee misconduct and how those situations were handled
- B. Include descriptions of the procedures that management uses to detect fraud.
- C. Be restricted to formal educational mechanisms to reinforce the importance of the message
- D. Be presented by organizational executives or anti-fraud professionals only

Answer: A

NEW QUESTION 27

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 30

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 35

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treectway 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 39

The Public Interest Oversight Board (PIOB) is the global body responsible for establishing international corporate governance standards.

- A. True
- B. False

Answer: B

NEW QUESTION 42

Which of the following is NOT a responsibility of the organization s board of directors?

- A. Acting as guardians of the organization s resources and assets
- B. Managing the performance of employees charged with carrying out business activities
- C. Assessing the strategy and underlying purpose of management's decisions and actions
- D. Serving as the middlemen between shareholders and management

Answer: D

NEW QUESTION 47

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 50

Which of the following is an example of organizational crime?

- A. doctor conspiring with patients to file false health care insurance claims
- B. A salesman offering bribes to secure a contract
- C. An accounting clerk forging company checks to herself
- D. Management of several construction companies engaging in bid rigging

Answer: C

NEW QUESTION 54

During a fraud risk assessment, the assessment team is seeking information on the ethical tone set by upper and middle managers. The team members determine that, for this task, they would like to get candid one-on-one feedback from employees away from their peers. Which of the following techniques would be most helpful for them to use in gathering this information?

- A. Surveys
- B. Anonymous feedback mechanisms
- C. Interviews
- D. Focus groups

Answer: B

NEW QUESTION 55

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 60

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 62

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 66

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 67

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 69

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 73

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 74

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