

# ACFE

## Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam



#### NEW QUESTION 1

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 2

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 3

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 4

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 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

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 7

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 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

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 10

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 15

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

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 19

According to the 2018 Report to the Nations, schemes are the most common form of occupational fraud, while schemes are 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 22

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 24

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 27

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 32

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 37

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 38

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 40

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 41

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 43

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 46**

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

- A. True
- B. False

**Answer:** A

**NEW QUESTION 47**

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 51**

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 54**

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 57**

For its compliance program to be effective, an organization must perform procedures to ensure management hires only ethical individuals who exercise a substantial measure of discretion in acting on the organization's behalf.

- A. True
- B. False

**Answer:** A

**NEW QUESTION 62**

The objectives of a fraud risk management program include

- A. Proactively identifying fraud risks
- B. Limiting the damage caused by fraud occurrences
- C. Punishing fraud perpetrators
- D. All of the above

**Answer:** D

**NEW QUESTION 63**

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

- A. The designation of an area as being high risk does not conclusively mean that fraud is occurring there
- B. The objective of the assessment is to provide an estimate of the organization's fraud losses
- C. The assessment should be used to improve employee fraud awareness
- D. The assessment team should consider how employees behave as part of its assessment

**Answer:** B

**NEW QUESTION 65**

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 68**

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