

ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam



NEW QUESTION 1

The generation and use of relevant, quality information to support the functioning of internal control is a principle related to which component of the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) Internal Control—Integrated Framework (the Framework)?

- A. Risk assessment
- B. Control environment
- C. Monitoring
- D. Information and communication

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 FALSE regarding a background check policy for employees'7

- A. Where permitted by la
- 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

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 5

Criminologist Charles McCaghy has slated that profit pressure is the single most compelling factor behind deviance by organizations

- A. True
- B. False

Answer: A

NEW QUESTION 6

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 7

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 8

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 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 11

International Standard on Auditing (ISA) 240 establishes auditors as being primarily responsible for the prevention and detection of fraud within an organization

- A. True
- B. False

Answer: B

NEW QUESTION 16

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 18

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 21

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 22

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

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 30

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 33

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 36

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 39

Julia is conducting a formal assessment of XYZ Corporation's ethical culture. To which of the five components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework) does her assessment pertain?

- A. Control environment
- B. Monitoring
- C. Control activities
- D. Information and communication

Answer: A

NEW QUESTION 44

Which of the following is TRUE regarding the communication of the fraud risk assessment process?

- A. The communication should be in the form of a personalized message from the assessment sponsor
- B. The communication should actively encourage employees to participate in the assessment process
- C. The communication should be visibly disseminated throughout the business

D. All of the above

Answer: D

NEW QUESTION 47

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 52

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 56

Management at ABC Corp. is assessing the company's ethical tone and how it affects the organization's fraud risk. To most effectively reinforce an anti-fraud culture, management should

- A. Create an environment in which employees feel safe challenging management's decisions
- B. Use a checklist of initiatives to make sure all the elements of a strong tone at the top are in place
- C. Implement two separate sets of ethics policies one for management and one for employees
- D. All of the above

Answer: D

NEW QUESTION 57

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 62

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

- A. The team members should have experience in gathering and eliciting information
- B. The team size should be limited to a maximum of three individuals.
- C. The team members might include both internal and external sources
- D. The team should consist of individuals with diverse knowledge, skills, and perspectives.

Answer: B

NEW QUESTION 63

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 64

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 67

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 70

Which of the following is FALSE regarding fraud examiners responsibilities under the ACFE Code of Professional Ethics?

- A. Confidential information provided to fraud examiners by their clients is considered privileged and therefore legally exempt from disclosure in all circumstances
- B. In determining what information to include in a fraud examination report, fraud examiners should try to decide what users will consider important and material
- C. If fraud examiners become aware of a situation that might appear to others as though they have a conflict of interest they should immediately disclose the situation to company management
- D. Fraud examiners must obtain and document evidence in a manner that ensures that the chain of custody is preserved

Answer: B

NEW QUESTION 74

The fact that most groups within groups a society have the same ideas of right and wrong greatly assists in the ability to determine the correct ethical decision in a given situation.

- A. True
- B. False

Answer: B

NEW QUESTION 76

According to International Auditing Standard (ISA) 240. the two types of intentional financial statement misstatements that are relevant to the auditor are

- A. Misstatements resulting from fraudulent financial reporting and misstatements resulting frommisappropriation of assets
- B. Misstatements resulting from revenue manipulation and misstatements resulting from expense manipulation
- C. Misstatements affecting the income statement and misstatements affecting the balance sheet
- D. Immaterial misstatements and material misstatements

Answer: C

NEW QUESTION 79

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

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 86

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 88

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 91

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 95

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 100

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 102

Which of the following is NOT an effective way to help prevent fraud through the organization's performance measurement and management programs?

- A. Establishing well-defined job descriptions to facilitate performance evaluations
- B. Evaluating employee performance based solely on productivity and profit
- C. Tying employee compensation to reasonable organizational performance goals
- D. Providing regular training to ensure that all employees are sufficiently prepared to perform their tasks

Answer: B

NEW QUESTION 106

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