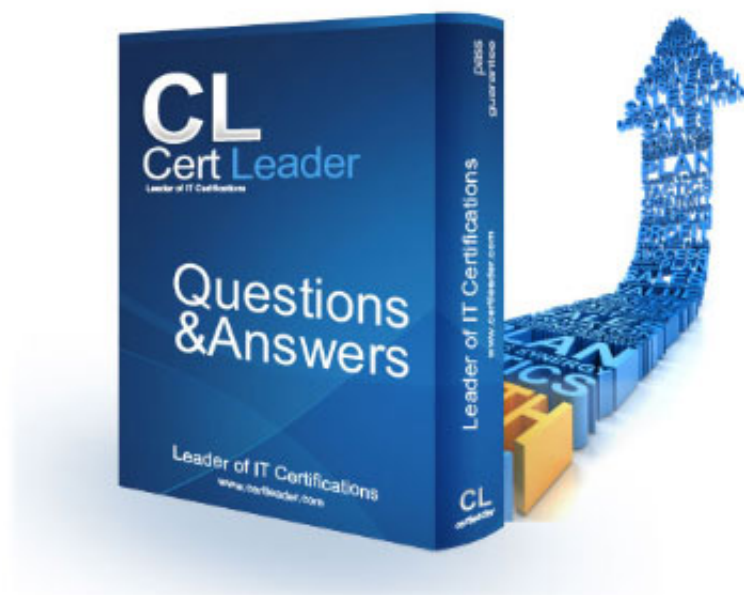


## CFE-Fraud-Prevention-and-Deterrence Dumps

### Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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**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**

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 4**

Which of the following theories suggests that, when considering the possibility of violating a law, people are likely to ask themselves, "What would my family and friends think if they find out?"

- A. Cognitive theory
- B. Social control theory
- C. Behavioral theory
- D. Routine activities theory

**Answer: B**

**NEW QUESTION 5**

Which of the following is FALSE regarding G20/OECD Principles of Corporate Governance (the Principles)?

- A. The Principles state that an entity's corporate governance framework should ensure the equitable treatment of all shareholders
- B. The Principles state that an entity's corporate governance framework should encourage active cooperation between corporations and stakeholders in creating wealth.
- C. The Principles are required to be implemented by all corporations in the jurisdictions that have officially adopted them
- D. The Principles are intended to be applicable in both developed economies and emerging markets

**Answer: D**

**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 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 9**

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 10**

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 10**

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 11**

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 14**

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 16**

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 21**

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 23

According to the 2018 Report to the Nations, which of the following is the most common method by which frauds are detected?

- A. Confession
- B. External audit
- C. Tips
- D. Internal audit

**Answer: C**

#### NEW QUESTION 24

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 27

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 29

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 32

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 33

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 35

Consistently punishing perpetrators can be an effective fraud prevention mechanism.

- A. True
- B. False

**Answer: B**

**NEW QUESTION 37**

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 38**

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 42**

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 43**

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 48**

Which of the following statements regarding document retention policies (DRPs) is TRUE?

- A. Document retention policies do not need to include protocols for preserving electronic documents as most IT systems automatically preserve copies of such data
- B. When establishing a document retention policy, management should consider any industry-specific rules for documenting and retaining records
- C. An effective document retention policy permits the organization to continue the destruction of documents when faced with potential litigation
- D. All 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**

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 59**

Which of the following is TRUE regarding an organization's ethics program?

- A. To be most effective, access to the organization's ethics policy should be restricted to employees and other internal parties only
- B. In designing the ethics program, management should consider whether the organization currently has any ethical leadership issues
- C. An effective written ethics policy alone is sufficient to communicate management's ethical philosophy and serve as a comprehensive ethics program

D. All of the above

**Answer:** D

**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 67**

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 70**

In identifying the inherent fraud risks that could apply to the organization the fraud risk assessment team should discuss

- A. The possibility of management override of controls
- B. Risks to the organization's reputation
- C. The organization's incentive programs
- D. All of the above

**Answer:** D

**NEW QUESTION 72**

The findings of the 2018 Report to the Nations include all of the following EXCEPT:

- A. More occupational frauds are committed by women than by men.
- B. The majority of employees who commit occupational fraud are first-time offenders.
- C. The median losses caused by executives are higher than those caused by staff-level employees
- D. The most commonly reported red flag displayed by fraud perpetrators prior to the detection of their crime is living beyond their means

**Answer:** C

**NEW QUESTION 76**

Which of the following statements is TRUE regarding how fraud examiners should exercise professional skepticism during a fraud examination engagement?

- A. Professional skepticism involves maintaining a mindset that no fraud has occurred
- B. Fraud examiners should not relax their skeptical attitudes even if there are no signs of fraudulent activity.
- C. Fraud examiners should form the engagement hypothesis without regard to the available preliminary information
- D. Professional skepticism means beginning all assignments with the belief that something is amiss

**Answer:** D

**NEW QUESTION 77**

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 81**

The fact that most groups within 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 85**

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 from misappropriation 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 89**

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

- A. True
- B. False

**Answer:** A

**NEW QUESTION 93**

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 95**

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 96**

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 101**

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 104**

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 106**

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, uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigating.
- C. In his final report to management,
- D. In his final report to management,

- 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 108**

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