



**ACFE**

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

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

#### NEW QUESTION 1

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 2

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 corporation 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 3

According to the authors of Crimes of the Middle Classes, all of the following factors have contributed to the rising problem of economic crime EXCEPT:

- A. The continued pressures of a culture that rewards affluence and success
- B. The economy's increased reliance on credit
- C. The decrease in funds available from government assistance programs
- D. The increased opportunity for wrongdoing as a result of advancing information technologies

**Answer: D**

#### NEW QUESTION 4

As part of her audit of ABC Corp., Rachel, a CPA, is identifying the risks of material misstatement due to fraud. As part of this task, she should evaluate any unexpected relationships that she identified in performing analytical procedures.

- A. True
- B. False

**Answer: A**

#### NEW QUESTION 5

Which of the following statements about the fraud risk assessment process is MOST ACCURATE?

- A. To ensure the independence of the team members a fraud risk assessment must be conducted by a consultant or other external party.
- B. The assessment team must be perceived as independent and objective by others for the assessment to be effective
- C. If the individuals conducting the fraud risk assessment truly believe that fraud could not happen at the organization the assessment process should reflect that belief.
- D. The fraud risk assessment is most effective when management's influence on the process is limited.

**Answer: A**

#### NEW QUESTION 6

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 7

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 8

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 9

Gray, an independent Certified Fraud Examiner (CFE), was hired by Green, president of the ABC Corporation, to investigate allegations that one of ABC's employees is taking kickbacks. During the investigation, Gray learns that Green is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Gray should:

- A. Tell the company's board of directors about Green
- B. Report Green to law enforcement.
- C. Resign from the engagement
- D. Not disclose the information about Green.

**Answer:** B

#### NEW QUESTION 10

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 10

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 11

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 13

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 16

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 20

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 22

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 25

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 26

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 30

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 35

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 36

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 38

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 42

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 43

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 45

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 46

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