



## ACFE

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

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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#### NEW QUESTION 1

According to behaviorists such as B F Skinner, which of the following scenarios is mostly likely to occur when an undesired behavior is punished?

- A. The behavior will be permanently suppressed
- B. The behavior will return when punishment ceases
- C. The behavior will occur more frequently.
- D. The behavior will not be affected by the punishment

**Answer:** A

#### NEW QUESTION 2

The internal auditor s fraud-related responsibilities include which of the following?

- A. Evaluating whether management is actively retaining responsibility for oversight of the fraud risk management program
- B. Attesting that the organization s financial statements are free of material misstatements caused by fraud
- C. Reporting to regulators regarding the entity's vulnerability to fraud
- D. Overseeing managements actions to manage fraud risks

**Answer:** C

#### 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 slated 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

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 7

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 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

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 10

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 10

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 11

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 15

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 20

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 22

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 27

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 28

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 32

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 34

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 35

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 36

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 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

In response to an employee's failure to meet performance expectations, a manager demotes the employee to a junior-level position. This is an example of what type of behavioral response?

- A. Negative reinforcement
- B. Punishment
- C. Positive reinforcement
- D. None of the above

**Answer:** D

#### NEW QUESTION 40

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treadway 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 44

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 47

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 49

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 52

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 56

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 57

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 59

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 64

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:** D

#### NEW QUESTION 67

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 68

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

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 73

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 77

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 80

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 85

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 89**

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 91**

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