

ACFE

Exam Questions CFE-Financial-Transactions-and-Fraud-Schemes

Certified Fraud Examiner - Financial Transactions and Fraud Schemes Exam



NEW QUESTION 1

In physical tampering prevention technique, hidden images can be seen only when the check is held at an angle through:

- A. High-resolution sprays
- B. Holographic safety inks
- C. Watermark backers
- D. Chrome coloring

Answer: C

NEW QUESTION 2

The act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit, contrary to duty and rights of others is called:

- A. Conflict of interest
- B. Corruption
- C. Bribery
- D. Overbilling

Answer: B

NEW QUESTION 3

_____ can be detected by closely examining the documentation submitted with the cash receipts.

- A. Voided purchases
- B. Fictitious refunds
- C. Approved transaction
- D. None of the above

Answer: B

NEW QUESTION 4

Bank cut-off statements should be requested for 10-15 days after the closing date of the balance sheet.

- A. True
- B. False

Answer: A

NEW QUESTION 5

False billing scheme states that:

- A. employees do not cause their company to purchase merchandise that the company does not need.
- B. employees cause their company to sale merchandise that the company does not need.
- C. employees do not cause their company to sale merchandise that the company does not need.
- D. employees cause their company to purchase merchandise that the company does not need

Answer: D

NEW QUESTION 6

The principle behind full disclosure is:

- A. Any material deviation from GAAP must be explained to the reader of the financial information.
- B. Any material deviation from SAS must be explained to the writer of the financial information.
- C. Any material deviation from GAAP must be explained to writer of the financial information.
- D. None of above

Answer: A

NEW QUESTION 7

The seller's price to the buyer is not fixed or determinable when:

- A. When the price is not contingent on some future events
- B. The transaction includes an option to exchange the product for others.
- C. A service or membership fee is not subject predictable cancellation during the contract period.
- D. Payment terms are not extended for a substantial period.

Answer: B

NEW QUESTION 8

Organizations that had external audits actually had higher median losses and longer lasting fraud schemes than those organizations that were not audited.

- A. True

B. False

Answer: A

NEW QUESTION 9

_____ increase assets and expenses and/or decrease liabilities and/or equity

- A. Journal Entries
- B. Debit
- C. Credit
- D. None of all

Answer: B

NEW QUESTION 10

Most of the shell company schemes involve the purchase of goods rather than services.

- A. True
- B. False

Answer: B

NEW QUESTION 10

The most common method for billing scheme is:

- A. Register
- B. Tips
- C. Accident
- D. None of the above

Answer: B

NEW QUESTION 11

Which of the four basic measures, if properly installed and implemented may help prevent inventory fraud?

- A. Proper documentation, segregation of duties, independent checks and physical safeguards
- B. Proper documentation, segregation of duties, independent checks and inventory control
- C. Proper documentation, physical padding, independent checks and physical safeguards
- D. prenumbered affiliations, segregation of duties, independent checks and physical safeguards

Answer: A

NEW QUESTION 12

_____ involves purposeful misreporting of financial information about the organization that is intended to mislead those who read it.

- A. Fraudulent statement
- B. Corruption
- C. Asset misappropriations
- D. None of above

Answer: A

NEW QUESTION 14

Forced reconciliation of the account says:

- A. to conceal shrinkage is to alter inventory record so that it matches the physical inventory count.
- B. to conceal inventory is to alter shrinkage record so that it matches the physical inventory count.
- C. to conceal shrinkage is to change the perpetual inventory record so that it matches the physical inventory count.
- D. to conceal write-offs is to change the perpetual inventory record so that it matches the physical inventory count.

Answer: C

NEW QUESTION 19

Most of the shell company schemes involve the purchase of goods rather than services.

- A. True
- B. False

Answer: B

NEW QUESTION 22

_____ is a process by which a bookkeeper records all transactions and can adjust the books.

- A. Journal Entries

- B. Accounting Cycle
- C. Financial statement
- D. None of all

Answer: A

NEW QUESTION 26

A tangible asset is one which is:

- A. capable of being perceived
- B. capable of being appraised
- C. Both A & B
- D. Neither A nor B

Answer: C

NEW QUESTION 28

According to fraud tree, cash has three following schemes:

- A. Skimming, cash larceny and fraudulent disbursements
- B. Fraud analysis, skimming and cash misappropriations
- C. Cash larceny, cash distribution and fraudulent disbursements
- D. Cash distribution, skimming and fraud analysis

Answer: A

NEW QUESTION 31

In Cressey's fraud triangle, its three of the legs are Opportunity, Pressure and

- A. Violation
- B. Isolation
- C. Rationalization
- D. None of the above

Answer: C

NEW QUESTION 36

One reason employees might be hesitant to use PO boxes in shell company schemes is that some businesses are specially vary of sending checks to vendors that have street addresses only.

- A. True
- B. False

Answer: B

NEW QUESTION 39

Depreciation is especially applicable when companies try to overvalue their assets and net worth; the lower their depreciation expense, the higher the company's profits.

- A. True
- B. False

Answer: A

NEW QUESTION 42

A typical issue involving material and fraud would be:

- A. Fraudulent statement
- B. Misappropriations
- C. Civil lawsuit
- D. Quality control

Answer: B

NEW QUESTION 44

_____ revenues involve the recording sales of goods or services that did not occur.

- A. Fictitious or fabricated revenues
- B. Financial revenues
- C. Red flag revenues
- D. Concealed revenues

Answer: A

NEW QUESTION 48

The person or persons who have access to _____ are often the targets of unethical vendors seeking an advantage in the process.

- A. Bid-splitting
- B. Sealed bids
- C. General purchasing
- D. Tailor specifications

Answer: B

NEW QUESTION 52

If the assets are intentionally purchased by the company but simply misappropriated by the fraudster, this is referring to as:

- A. Inventory larceny scheme
- B. Asset receiving scheme
- C. Fraudulent purchase
- D. Falsify shipping

Answer: A

NEW QUESTION 53

Every bribe is a two-sided transaction, in which where a vendor bribes a purchaser, there is someone on the vendor??s side of the transaction who is not making an illicit payment.

- A. True
- B. False

Answer: B

NEW QUESTION 56

A shell company scheme in which actual goods or services are sold to the victim company is known as:

- A. Maintenance scheme
- B. Allocation scheme
- C. Distribution scheme
- D. Pass-through scheme

Answer: D

NEW QUESTION 60

Which are check tempering frauds in which an employee prepares a fraudulent check and submits it usually along with legitimate checks to an authorized maker who signs it without a proper review?

- A. Endorse check scheme
- B. Legitimate check scheme
- C. Payable check scheme
- D. Concealed check scheme

Answer: D

NEW QUESTION 63

A person is said to be in _____ act, when the business which he transacts, or the money or property which he handles, is not for his own benefit, but for another person:

- A. Fiduciary Capacity
- B. Embezzlement
- C. Conversion
- D. None of the above

Answer: A

NEW QUESTION 65

When expenses used to produce income- all of them- should be matched in a consistent manner against that income, this is referred to:

- A. Equity
- B. Accrual basis accounting
- C. Expense
- D. Financial record

Answer: B

NEW QUESTION 70

_____ normally are carried on an organization??s books as expenses because they tend to be consumed by the organization within a year of purchase.

- A. Supplies

- B. Expenses
- C. Assets
- D. Equity

Answer: A

NEW QUESTION 74

A _____ can be very costly for an organization to undertake, both in terms of money and time spent.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Civil lawsuit

NEW QUESTION 77

How many accounts are affected in fraudulent accounting entries and therefore same number of categories on the financial statement?

- A. One
- B. At least two
- C. More than two
- D. None of above

Answer: A

NEW QUESTION 82

In which of the following process, all bidders are legally supposed to be placed on the same plane of equality, bidding on the same terms and conditions?

- A. Bid-rigging
- B. Kickbacks
- C. Competitive bidding
- D. Bid solicitation

Answer: C

NEW QUESTION 87

In which approach, fraudsters produce whatever financial statements they wish, perhaps using just a typewriter or a personal computer.

- A. Organized accounting
- B. Playing the accounting
- C. Beating accounting
- D. Outside accounting system

Answer: D

NEW QUESTION 92

The scheme which reduces victim companies to issue fraudulent payments for goods or services that they have not received is called:

- A. Bogus claims
- B. Billing scheme
- C. Reliance billing
- D. Misappropriate claims

Answer: A

NEW QUESTION 94

The heart of book keeping system is the _____.

- A. Asset
- B. Liability
- C. Checkbook
- D. Journal

Answer: C

NEW QUESTION 97

Asset misappropriation schemes were the ??middle children?? of the study; they were more common than fraudulent statements and more costly than corruption.

- A. True
- B. False

Answer: B

NEW QUESTION 99

The price of an asset on which the asset is selling at on the open market in a transaction between a willing buyer and a willing seller is called:

- A. Absolute value
- B. Fair value
- C. Cost value
- D. material value

Answer: B

NEW QUESTION 101

When employee committing the fraud removes cash from the register and also the item allegedly being returned is debited back into the inventory, this refers to:

- A. Registry destroying records
- B. Register false voids
- C. Fraudulent register occurrences
- D. Concealing register disbursement

Answer: D

NEW QUESTION 103

When an incorrect total is carried from the journal to the ledger or from ledger to the financial statements, this method is called:

- A. Forced Balance
- B. Out-of-balance
- C. False balance
- D. None of all

Answer: A

NEW QUESTION 104

The behavior profile of employees who are involved in bribery schemes may include:

- A. Gambling habit
- B. Extravagant lifestyle
- C. Drug and/or alcohol addiction
- D. All of the above

Answer: D

NEW QUESTION 106

A technique by which checks are numbered using a new technique that is revealed by a colored highlighter pen or by a bright light held behind the check is called:

- A. Microline numbering
- B. Holographic safety border
- C. Embossed pearlescent numbering
- D. None of the above

Answer: B

NEW QUESTION 109

Maintain the presence of a manager or supervisor near the area of the cash register as a deterrent to theft is a prevention for:

- A. Fraudulent statement scheme
- B. Asset misappropriation scheme
- C. Larceny scheme
- D. Register disbursement scheme

Answer: D

NEW QUESTION 111

Which of the following method is NOT used to detect conflicts of interest?

- A. Tips & Complaints
- B. Review of vendor ownership files
- C. Underbillings of assets
- D. Interviews with purchasing personnel

Answer: C

NEW QUESTION 115

_____ inventory and other assets is relatively common way for fraudsters to remove assets from the books before or after they are stolen.

- A. Altered
- B. Perpetual

- C. False shipping slip
- D. Write-offs

Answer: C

NEW QUESTION 116

A _____ is a day-by-day, or chronological, record of transactions

- A. Asset
- B. Journal
- C. Checkbook
- D. Ledger

Answer: B

NEW QUESTION 120

_____ can be detected by closely examining the documentation submitted with the cash receipts.

- A. Voided purchases
- B. Fictitious refunds
- C. Approved transaction
- D. None of the above

Answer: B

NEW QUESTION 122

Inventory shrinkage is the unaccounted-for reduction in the company's inventory that does not result from theft.

- A. True
- B. False

Answer: B

NEW QUESTION 126

According to SAB 104, for the revenue to be typically considered realized or realizable and earned, which of the following criteria is NOT met:

- A. Persuasive evidence of an arrangement exists
- B. Services has been rendered
- C. Timings have been met
- D. Collectability is reasonably assured

Answer: C

NEW QUESTION 131

Conflict of interest cases are more easily prevented than detected.

- A. True
- B. False

Answer: A

NEW QUESTION 135

Multiple cashiers operate from a single cash drawer without separate access codes is a red flag for:

- A. Fraudulent scheme
- B. Disbursement scheme
- C. Register scheme
- D. Force inventory scheme

Answer: C

NEW QUESTION 137

Maintain the presence of a manager or supervisor near the area of the cash register as a deterrent to theft is a prevention for:

- A. Fraudulent statement scheme
- B. Asset misappropriation scheme
- C. Larceny scheme
- D. Register disbursement scheme

Answer: D

NEW QUESTION 142

Which of the following is NOT the method for stealing inventory and other assets?

- A. Larceny schemes
- B. Asset requisition and transfer
- C. Purchasing and receiving schemes
- D. Sales & Equipment handling

Answer: D

NEW QUESTION 147

What is sometimes used to overcome well-designed internal controls of a victim company?

- A. Shell company
- B. Fraudulent invoices
- C. Collusion
- D. Rubber stamp supervisors

Answer: C

NEW QUESTION 150

Which of the following factors is NOT included in most financial statement schemes?

- A. Fictitious revenues
- B. Persuasive Evidence
- C. Concealed liabilities and expenses
- D. Improper asset valuations

Answer: B

NEW QUESTION 155

Bank statement are diligently reviewed to ensure that amounts and signature have not been altered, is an activity for:

- A. Account analysis
- B. Bank reconciliation
- C. Check disbursement controls
- D. Check tampering

Answer: C

NEW QUESTION 156

Which are check tempering frauds in which an employee prepares a fraudulent check and submits it usually along with legitimate checks to an authorized maker who signs it without a proper review?

- A. Endorse check scheme
- B. Legitimate check scheme
- C. Payable check scheme
- D. Concealed check scheme

Answer: D

NEW QUESTION 157

According to Hollinger and Clark for Policy development, management must pay attention to:

- A. A clear understanding regarding theft behavior
- B. Enforcement of sanctions
- C. Both A & B
- D. Neither A nor B

Answer: C

NEW QUESTION 160

_____ is a summary of the account balances carried in a ledger.

- A. Balance sheet
- B. Income statement
- C. Financial statement
- D. General journal

Answer: C

NEW QUESTION 164

Skimming cases can more likely to be detected by:

- A. Internal audits
- B. Accidents
- C. Internal controls
- D. occupational frauds

Answer: B

NEW QUESTION 165

Revenue is recognized when it is:

- A. Realized and Earned
- B. Fictitious and Earned
- C. Realized and Evidenced
- D. All of the above

Answer: A

NEW QUESTION 169

Employees steal an incoming payment and then place the incoming funds in an interest bearing account for:

- A. Converting stolen checks
- B. Concealing the fraud
- C. Short-term skimming
- D. All of the above

Answer: C

NEW QUESTION 173

Which check tampering red flag may indicate employees have embezzled cash and charged the embezzlement to expense accounts?

- A. Voided checks
- B. Payable checks
- C. Missing checks
- D. Duplicate checks

Answer: C

NEW QUESTION 178

The excess credits (or debits) on the income statement are used to decrease (or increase) the equity account.

- A. True
- B. False

Answer: B

NEW QUESTION 183

When a victim company purchases unnecessary goods or services from a supplier at the direction of the corrupt employee, this results in:

- A. Presolicitation scheme
- B. Need recognition scheme
- C. False sole-source scheme
- D. Submission scheme

Answer: B

NEW QUESTION 188

People commit financial statement fraud to:

- A. Conceal false business performances
- B. Preserve personal status/control
- C. Maintain personal income
- D. Stand outside the accounting system

Answer: B

NEW QUESTION 189

_____ should be examined to see that all are properly documented and that inappropriate payments have not been made to employees.

- A. Payable cash
- B. Cash advances
- C. counterfeit checks
- D. Payable checks

Answer: B

NEW QUESTION 191

A voucher is:

- A. a file that includes the purchase order that was send to the vendor, the vendor invoice listing the cost and quantity of items purchased, and the internal receiving

reports that verify the purchased items have been delivered.

B. a figure that includes the sale order that was send to the dealer, the vendor invoice listing the cost and quantity of items sold, and the internal receiving reports that verify the purchased items have been delivered.

C. a report that includes the purchase order that was send to the vendor, the vendor invoice listing the quality and quantity of items purchased, and the external receiving reports that verify the items have been sold.

D. a mammogram that includes the purchase order that was send to the purchaser, the purchaser invoice listing the benefits and quantity of items purchased, and the internal receiving reports that verify the purchased items have been sold.

Answer: A

NEW QUESTION 195

A journal in which all sales made on credit or cash are listed is:

A. Disbursement journal

B. Accounts receivable journal

C. Accounts payable journal

D. General journal

Answer: B

NEW QUESTION 198

The principal way to detect omitted credits from books of account is through:

A. Forced Balance

B. Trend analysis

C. Expense account

D. None of all

Answer: B

NEW QUESTION 201

When situational pressures and perceived opportunities are low and personal integrity is high, occupational fraud is much more likely to occur than when the opposite is true.

A. True

B. False

Answer: B

NEW QUESTION 205

A voucher is:

A. a file that includes the purchase order that was send to the vendor, the vendor invoice listing the cost and quantity of items purchased, and the internal receiving reports that verify the purchased items have been delivered.

B. a figure that includes the sale order that was send to the dealer, the vendor invoice listing the cost and quantity of items sold, and the internal receiving reports that verify the purchased items have been delivered.

C. a report that includes the purchase order that was send to the vendor, the vendor invoice listing the quality and quantity of items purchased, and the external receiving reports that verify the items have been sold.

D. a mammogram that includes the purchase order that was send to the purchaser, the purchaser invoice listing the benefits and quantity of items purchased, and the internal receiving reports that verify the purchased items have been sold.

Answer: A

NEW QUESTION 207

Assets that are long-lived and that differ from property, plant and equipment hat has been purchased outright or acquired under a capital lease are:

A. Tangible Assets

B. Intangible Assets

C. Forced Assets

D. None of above

Answer: B

NEW QUESTION 212

The difference between assets and liabilities is called:

A. Equity

B. Expense

C. Revenue

D. Income statement

Answer: A

NEW QUESTION 215

In _____ scheme, an employee creates false vouchers or submits false invoices to the employer.

- A. Sale requisition
- B. Purchase requisition
- C. Voucher handling
- D. Cash generating

Answer: D

NEW QUESTION 218

A scheme is classified as a Conflict of interest:

- A. when an employee must have some kind of ownership or employment interest in the vendor submitting the invoice.
- B. when a salesman must have some kind of ownership or employment interest in the vendor submitting the sales.
- C. when a purchaser must have some kind of ownership or employment interest in the vendor submitting the purchase.
- D. when a dealer must have some kind of dealership interest in the vendor submitting the stock.

Answer: A

NEW QUESTION 221

_____ can be defined as conduct detrimental to the organization and to the employee.

- A. Employee deviance
- B. Employee theft
- C. Employee fraud
- D. All of the above

Answer: A

NEW QUESTION 225

The essential elements of a _____ are an actual or constructive taking away of the goods or property of another without the consent and against the will of the owner and with a felonious intent.

- A. Larceny
- B. Abuse
- C. Fiduciary
- D. None of the above

Answer: A

NEW QUESTION 226

_____ corrupt employees can cause inventory to be fraudulently delivered to themselves or accomplices.

- A. False shipping slip
- B. False packing slip
- C. Fraudulent inventory slip
- D. False credit slip

Answer: B

NEW QUESTION 230

A fabricated name and the post office box that an employee uses to collect disbursements from false billings is called:

- A. Accomplice residence
- B. Shell company
- C. Perpetrator check
- D. Cash generator

Answer: B

NEW QUESTION 232

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