



CFE-FRAUD-PREVENTION-AND-DETERRENCE^{Q&As}

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QUESTION 1

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

Correct Answer: B

QUESTION 2

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

Correct Answer: D

QUESTION 3

In the area of criminological theory, compliance is the theory that tries to prevent crime by providing economic incentives for voluntary conformity to the laws and using administrative efforts to control violations before they occur.

- A. True
- B. False

Correct Answer: A

QUESTION 4

Which of the following is NOT included in the five fraud risk management principles described?

- A. Communicating the expectations of those governing the fraud risk management program
- B. Deploying preventive and detective fraud control activities to mitigate fraud risk
- C. Performing comprehensive fraud risk assessments to identify specific fraud schemes



D. Developing one-time evaluations for each fraud risk management principle

Correct Answer: D

QUESTION 5

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 managements ethical philosophy and serve as a comprehensive ethics program
- D. All of the above

Correct Answer: D

QUESTION 6

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

Correct Answer: A

QUESTION 7

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



Correct Answer: B

QUESTION 8

Consistently punishing perpetrators can be an effective fraud prevention mechanism.

- A. True
- B. False

Correct Answer: B

QUESTION 9

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.

Correct Answer: D

QUESTION 10

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

Correct Answer: C

QUESTION 11

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

Correct Answer: A

QUESTION 12

Sofia, a Certified Fraud Examiner (CFE), took an introductory class in computer forensics. When a client thought there might be evidence of a crime on his hard drive, Sofia decided to conduct a forensic examination of the hard drive even though she had no experience or advanced training in this area. Sofia's conduct would likely be a violation of the ACFE Code of Professional Ethics.

- A. True
- B. False

Correct Answer: A

QUESTION 13

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

Correct Answer: C

QUESTION 14

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



Correct Answer: D

QUESTION 15

The International Organization of Securities Commissions\ (IOSCO) Principles for Auditor Oversight states that auditor oversight should involve a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures.

A. True

B. False

Correct Answer: A

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