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QUESTION 1

A rate based on the average market yield on outstanding obligations of the United States with maturities between three and nine years, and it is published monthly is known as:

- A. average market interest rate
- B. tax discounting federal rate
- C. midterm applicable federal rate
- D. none of the above

Correct Answer: C

QUESTION 2

Which of the following is NOT the common method for concealing liabilities and expenses?

- A. Liability/expense omissions
- B. Capitalized expenses
- C. Failure to disclose warranty costs and liabilities
- D. Management fraud

Correct Answer: D

QUESTION 3

To analyze vendor purchases for abnormal levels on both a monthly and a yearly basis, is the billing scheme prevention method which is helpful in:

- A. review payments coding for abnormal billing
- B. deterrence of billing fraud
- C. returning merchandise for cash billing
- D. purchases on credit card or company account

Correct Answer: B

QUESTION 4

Federal and state taxes, Relationships with external auditors, Treasury and investment functions are all responsibilities of:



- A. Chief Security Officer
- B. Chief Financial Officer
- C. Senior Management
- D. Chief Executive Officer

Correct Answer: B

QUESTION 5

What reinsurance is defined as reinsurance excess of retention by the ceding company?

- A. Non-proportional
- B. Proportional
- C. Commutative
- D. Non-commutative

Correct Answer: A

QUESTION 6

What are corporate obligations considered having a higher default risk and a lower credit rating?

- A. corporate bonds
- B. municipal bonds
- C. junk bonds
- D. taxation bonds

Correct Answer: C

QUESTION 7

Which of the following is NOT the type of hotline?

- A. Part-time hotline
- B. Full-time hotline
- C. Third-party hotline
- D. Detective hotline

Correct Answer: D



QUESTION 8

What is an agreement by which a transferor increases its surplus to policyholders by the transfer of loss obligations already incurred in excess of the consideration paid?

- A. Retroactive reinsurance
- B. Corporate expense
- C. Capital gains
- D. Foreign exchange commission

Correct Answer: A

QUESTION 9

Interest rates affect loss liabilities directly where these liabilities can be: A. subrogated

- B. discounted
- C. socially inflated
- D. catastrophic

Correct Answer: B

QUESTION 10

An agreement to receive payments as the buyer of an option, cap, or floor and to make payments as the seller of a different option, cap, or floor is called:

- A. Derivative
- B. Miscellaneous
- C. Obligatory
- D. Collar

Correct Answer: D

QUESTION 11

Certain assets that normally are recognized under GAAP are excluded from the statutory balance sheet and are referred to as:

- A. non-reliance assets



- B. unrecognized assets
- C. non-accountable assets
- D. non-admitted assets

Correct Answer: D

QUESTION 12

Expenses that are identified by the state and coverage code of the related claim to properly match the costs to the policy and earned premium are called:

- A. Loss adjustment expense
- B. Defense and Cost Containment
- C. Adjusting and Other
- D. Surveillance expense

Correct Answer: B

QUESTION 13

The discounted unpaid loss as of the end of any tax year is the present value of losses determined by reference to which of the following factor?

- A. the gross amount
- B. the pattern of claims payments
- C. the rate of interest
- D. All of the above

Correct Answer: D

QUESTION 14

If the effective yield is lower than the nominal yield, the buyer will pay a:

- A. premium
- B. credit
- C. debt
- D. fee

Correct Answer: A



QUESTION 15

For which contracts, increasing the liabilities typically would be the most appropriate method when recognizing the charge to current income.

- A. ultimate inception
- B. retroactive
- C. retroactive reinsurance
- D. accounting reimbursement

Correct Answer: C

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