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**QUESTION 1**

The instrument that involves a contract between two parties to exchange interest payments on a specified principal amount (referred to as the notional principal) for a specific period is called:

- A. transfer rate
- B. interest rate swap
- C. interest relocation
- D. passing on interest rate

Correct Answer: B

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**QUESTION 2**

A powerful tool for controlling economic events, called \_\_\_\_\_ encompasses the development of a long-range or strategic plan, the analysis of capital expenditures, the preparation of short-range plans or budgets, and reports to the Board of Directors and the organization.

- A. Financial planning
- B. Accrual planning
- C. Surplus relief
- D. Financial budgets

Correct Answer: A

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**QUESTION 3**

Income earned as of the reporting date but not legally due to be paid to the reporting entity until subsequent to the reporting date is known as:

- A. Investment income accrued
- B. Interest income
- C. Real state income
- D. Investment income depreciated

Correct Answer: A

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**QUESTION 4**

Accounting controls are designed to provide reasonable assurance that:



- A. transactions are excluded in accordance with management's general or specific authorization
- B. transactions are recorded as necessary to permit preparation of non-reliable financial statements
- C. accountability for assets is maintained
- D. All of the above

Correct Answer: C

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#### QUESTION 5

What is based on the principle that for a service rendered (i.e., the payment of the indemnity claim), the insured assigns to the insurer any rights that may inure to the insured from third parties.

- A. Salvage
- B. Indemnity payment
- C. Subrogation
- D. Reinsurance resource

Correct Answer: C

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#### QUESTION 6

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

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#### QUESTION 7

What is a negotiable instrument that is accepted by the bank only upon the approval of the payor?

- A. cash flow
- B. draft
- C. check
- D. wire transfer



Correct Answer: B

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### QUESTION 8

State regulations are established to ensure that claims are settled in a good faith manner

- A. insurance regulatory information department
- B. domiciliary state insurance department
- C. Evolution of insurance department
- D. Financial insurance strength department

Correct Answer: B

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### QUESTION 9

Annual Statement methodology should be followed in computing insurance company taxable income except when the tax law does not permit insurers to do so.

- A. true
- B. False

Correct Answer: A

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### QUESTION 10

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

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### QUESTION 11

Which of the following is Correct?

- A. The insurance company transfers to the seller of a call option the opportunity for capital loss-if the stock rises by an amount exceeding the exercise price, plus the cost of the option (premium).
- B. The insurance company transfers to the buyer of a call option the opportunity for capital gain-if the stock rises by an



amount exceeding the exercise price, plus the cost of the option (premium).

C. The insurance company transfers to the seller of a call option the opportunity for capital loss-if the stock decreases by an amount exceeding the exercise price, plus the cost of the option (premium).

D. The insurance company transfers to the buyer of a floor option the opportunity for option gain-if the stock rises by an amount exceeding the exercise price, plus the cost of the option (premium).

Correct Answer: B

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### QUESTION 12

What include, but are not limited to the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions?

A. Administrative controls

B. Globalization

C. Accurate transactions

D. Control environment

Correct Answer: A

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### QUESTION 13

A futures contract is an agreement traded on an exchange or contract market to buy, sell, or effect cash settlement based on the performance of an underlying interest.

A. True

B. False

Correct Answer: A

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### QUESTION 14

\_\_\_\_\_ are usually issued together with a bond or preferred stock, which entitles the holder to buy a specific amount of common stock at a specific price.

A. Merits

B. Certifications

C. Mutual funds

D. Warrants

Correct Answer: D

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**QUESTION 15**

Almost three quarters of the cases involving expense reimbursement fraud were perpetrated by someone at:

- A. Executive level
- B. Employee level
- C. Owner level
- D. Stakeholder level

Correct Answer: A

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