

ACFE

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

Certified Fraud Examiner - Financial Transactions and Fraud Schemes Exam



NEW QUESTION 1

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 2

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 3

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 4

_____ 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 5

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 6

_____ may be defined as the offering, giving, receiving or soliciting anything of value to influence an official act.

- A. Corruption
- B. Diverting business to vendors
- C. Bribery
- D. Lacking approval authority

Answer: C

NEW QUESTION 7

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 8

Which of the following is NOT the example of bribery prevention policies?

- A. Reporting gifts
- B. Discounts
- C. Business meetings

D. Resource diversions

Answer: D

NEW QUESTION 9

Once the expense account is closed, it becomes a historical item and probably will never be reviewed again.

- A. True
- B. False

Answer: A

NEW QUESTION 10

Which of the following is the amount of money that would be realized upon the sale of the asset at some point in the future, less the costs associated with owning, operating and selling it?

- A. Net realizable value
- B. Going concern
- C. Cost
- D. Fair value

Answer: A

NEW QUESTION 10

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 13

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 17

Which of the following is NOT the phase of the bidding process?

- A. Presolicitation
- B. Postsolicitation
- C. Solicitation
- D. Submission

Answer: B

NEW QUESTION 22

_____ 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 27

_____ is defined as a person who works for the victim organization and who is primary culprit

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Principal perpetrator

NEW QUESTION 32

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

- A. True
- B. False

Answer: B

NEW QUESTION 33

Which sale occurs when the accomplice of the employee-fraudster ??buys?? merchandise, but the employee does not ring up the sale, and the accomplice takes the merchandise without making any payment?

- A. Whole sale
- B. Fake sale
- C. Fraudster sale
- D. Preliminary sale

Answer: B

NEW QUESTION 35

One of the simplest ways to justify unacceptable conduct and avoid guilt feelings is to invent a good reason for _____.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Embezzling

NEW QUESTION 39

Verify supporting documentation on outstanding checks written for a material amount is a test used to conduct for:

- A. Check disbursement
- B. Bank confirmation
- C. Bank confirmation
- D. Cut-off statements

Answer: C

NEW QUESTION 41

The most basic skimming scheme occurs when:

- A. An employee sells goods or services to a customer, collects the customer??s payment, but makes no record of the sale.
- B. An employee buy goods or services from a customer, drop the customer??s payment, but makes no record of the purchase.
- C. An employee sells goods or services to a stakeholder, collects the stakeholder??s payment and makes record of the sale too.
- D. An employee buy goods or services from a stakeholder, drop the stakeholder??s payment and makes record of the purchase too.

Answer: A

NEW QUESTION 42

The amount of cash on hand in a register may be compared to the amount showing in the register tape in order to detect _____.

- A. Employee theft
- B. Recorded sales
- C. Internal audits
- D. Occupational frauds

Answer: A

NEW QUESTION 46

The most common method of detection in corruption cases is:

- A. Internal audits
- B. Internal controls
- C. Tips
- D. By accident

Answer: C

NEW QUESTION 50

The more power a person has over the bidding process, the more likely the person can influence the selection of a supplier.

- A. True
- B. False

Answer: A

NEW QUESTION 51

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 53

A variation between the physical inventory and the perpetual inventory totals is called:

- A. Altered inventory
- B. Account receivable
- C. Shrinkage
- D. Write-offs

Answer: C

NEW QUESTION 54

Which of the following is true for Red flags associated with fictitious revenues?

- A. Slow growth or usual profitability, when not compared to other companies in the same industry.
- B. Usual growth in the number of days purchase in receivables
- C. A significant volume of sales to entries whose substance and ownership is not known.
- D. A usual surge in purchase by a majority of units within a company, or of purchase recorded by corporate headquarters.

Answer: C

NEW QUESTION 57

Which of the following is NOT the type of billing scheme?

- A. Invoicing via shell companies
- B. Invoicing via non-accomplice companies
- C. Invoicing via accomplice companies
- D. Personal purchases with company funds

Answer: C

NEW QUESTION 60

Which of the following is NOT the reason why senior management will overstate business statement?

- A. Comply with debt covenants
- B. Meet personal performance criteria
- C. Trigger performance related compensation
- D. Show a pattern of growth to support sale of a business

Answer: A

NEW QUESTION 61

When employees avoid detection in a refund scheme to keep the sizes of the disbursement low, is referred to:

- A. Small disbursements
- B. Very small disbursements
- C. Simple disbursements
- D. None of the above

Answer: A

NEW QUESTION 63

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 64

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 66

A typical issue involving material and fraud would be:

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

Answer: B

NEW QUESTION 68

According to Marshall, _____ are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

- A. Assets
- B. Liabilities
- C. Credentials
- D. None of above

Answer: A

NEW QUESTION 70

_____ means that traditional bribery statutes proscribe only payments made to influence the decisions of government agents or employees.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Official act

NEW QUESTION 71

Perceived certainty of detection is directly related to employee theft for respondents in all industry sectors, that is the stronger the perception that theft would be detected, the more the likelihood that the employee would engage in deviant behavior.

- A. True
- B. False

Answer: B

NEW QUESTION 74

A special scheme in which employees know their employer is seeking to purchase a certain asset and take advantage of the situation by purchasing the asset themselves is:

- A. Conflict of interest in sale
- B. Turnaround sale or flip
- C. Unauthorized sale
- D. Written sale of unique assets

Answer: B

NEW QUESTION 78

_____ and _____ are used to increase (or decrease) the equity account.

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

Answer: B

NEW QUESTION 81

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 86

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 89

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 90

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 93

One final means of concealing a register scheme, as with many kinds of fraud, is to destroy all records of the transaction.

- A. True
- B. False

Answer: A

NEW QUESTION 95

According to a survey, in principal perpetrator, males in a majority of cases, accounting for _____ percent of frauds versus _____ percent in which a female was the primary culprit.

- A. 62 versus 36
- B. 61 versus 39
- C. 62 versus 37
- D. None of the above

Answer: B

NEW QUESTION 96

One final means of concealing a register scheme, as with many kinds of fraud, is to destroy all records of the transaction.

- A. True
- B. False

Answer: A

NEW QUESTION 100

_____ is required if and when officers, executives or other persons in trusted positions become subjects of a criminal indictment.

- A. Conflict of interest
- B. Turnaround sale or flip
- C. Disclosure
- D. Resource diversion

Answer: C

NEW QUESTION 105

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 110

The prime targets for skimming schemes which are hard to monitor and predict such as late fees and parking fees, are:

- A. Revenue sources
- B. Recorded sales
- C. Internal audits
- D. Register manipulations

Answer: A

NEW QUESTION 113

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 115

The forms that allow noncash assets to be moved from one location in a company to another can be used to facilitate the misappropriation of those assets are called:

- A. Inventory usages
- B. Fake sales
- C. Asset requisition
- D. All of the above

Answer: C

NEW QUESTION 118

Theft of incoming checks usually occurs when _____ is (are) in charge of opening the mail and recording the receipt of payments.

- A. Single employee
- B. Two employees
- C. More then two employees
- D. None of the above

Answer: A

NEW QUESTION 121

Entering a sales total lower than the amount actually paid by the customer is called:

- A. Underrings a sale
- B. Recording a sale procedure
- C. Internal sales audits
- D. All of the above

Answer: A

NEW QUESTION 126

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 129

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 134

Statistical sampling enables the examiner to predict the occurrence rate for the population and therefore determine with some accuracy the error rate, or the potential for fraud.

- A. True
- B. False

Answer: A

NEW QUESTION 139

Which of the following are not of Basic types of non-sharable problems?

- A. Violation of ascribed obligations
- B. Business reversals
- C. Physical Isolation
- D. Larceny by Fraud

Answer: D

NEW QUESTION 144

Occupational fraud and abuse is a (an) _____ of doing business, in much the same way that we pay expenses for electricity, taxes and wages.

- A. Equity
- B. Balance sheet
- C. Expense
- D. Financial record

Answer: C

NEW QUESTION 148

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 153

Physical tampering prevention is a check tampering technique that is used to secure bankassisted controls.

- A. True
- B. False

Answer: B

NEW QUESTION 158

_____ is required not only for theft, but for procedures to detect errors, avoid waste and insure a proper amount of inventory is maintained.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Inventory control

NEW QUESTION 160

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 165

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 167

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 168

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 171

By what accountant means that the financial figures presented by the company are at least as much as reflected in the statements, if not more.

- A. Fraudulent statement
- B. Misappropriations
- C. Conservatism
- D. Matching

Answer: C

NEW QUESTION 175

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

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

Answer: B

NEW QUESTION 178

Which of the following are used in a short term skimming scheme?

- A. Unrecorded sales, understated sales and theft of incoming checks
- B. Unrecorded sales, understated sales and dual endorsements
- C. False company accounts, understated sales and theft of incoming checks
- D. Understated sales, theft of incoming checks and check-for-currency substitutions

Answer: A

NEW QUESTION 180

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 185

Verify supporting documentation on outstanding checks written for a material amount is a test used to conduct for:

- A. Check disbursement
- B. Bank confirmation
- C. Bank confirmation
- D. Cut-off statements

Answer: C

NEW QUESTION 190

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 194

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 195

The _____ cost method of pricing would carry an asset's value on the financial statements as what it would currently cost, considering inflation.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Price-level adjusted historical cost

NEW QUESTION 197

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 199

Placing any restriction in the solicitation documents that tend to restrict competition is called prebid solicitation.

- A. True
- B. False

Answer: A

NEW QUESTION 203

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 204

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 207

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 208

_____, one of the Fraud synonyms implies that deceiving so thoroughly as to obscure the truth:

- A. Deceive
- B. Delude
- C. Mislead
- D. Beguile

Answer: B

NEW QUESTION 212

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 215

Skimming cases can more likely to be detected by:

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

Answer: B

NEW QUESTION 217

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 218

Physical tampering prevention is a check tampering technique that is used to secure bank assisted controls.

- A. True
- B. False

Answer: B

NEW QUESTION 222

Skimming is:

- A. The removal of cash from a victim entity prior to its entry in an accounting system.
- B. The addition of cash from a victim entity prior to its entry in an accounting system.
- C. The removal of cash from a victim entity after its entry in an accounting system.
- D. None of above

Answer: A

NEW QUESTION 225

_____ allows the fraud examiner to inspect key attributes on a smaller portion (or sample) of those documents.

- A. Mastered
- B. Not Mastered

Answer: A

Explanation:

Statistical sampling

NEW QUESTION 230

Any expenses that are incurred but not paid by the end of the year are counted in our records of profit and loss, are called:

- A. Accruals
- B. Depreciations
- C. Expenses

D. Financial record

Answer: A

NEW QUESTION 235

Physical assets including _____ and _____ are the most commonly misappropriated noncash asset in our study.

- A. Interest & Collusion
- B. Inventory & Equipment
- C. Inventory & Purchase
- D. Sales & Equipment

Answer: B

NEW QUESTION 236

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 237

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 239

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 241

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 246

The difference between assets and liabilities is called:

- A. Equity
- B. Expense
- C. Revenue
- D. Income statement

Answer: A

NEW QUESTION 248

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 252

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