

Chapter 01

Multiple Choice

1. One way that criminal law differs from civil law is that it:
- a. provides remedies for violations of private rights.
 - b. must yield a unanimous verdict.
 - c. can have a jury of fewer than 12 persons.
 - d. allows for various claims in one action.

ANSWER:

b

RATIONALE:

- a. Incorrect. This is a characteristic of civil law; criminal law deals with crimes against the public.
- b. Correct. Criminal trials must result in a unanimous verdict.
- c. Incorrect. This is a characteristic of civil law; criminal trial juries must have 12 persons.
- d. Incorrect. This is a characteristic of civil law; criminal law permits only one claim at a time.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

DATE CREATED:

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2. Which of the following is NOT an element of a Ponzi scheme?
- a. Gaining other's confidence.
 - b. Promising abnormally high returns.
 - c. Collected money is invested.
 - d. Investment principle is partially used to make payments to previous investors.

ANSWER:

c

RATIONALE:

- a. Incorrect. This is one of the most important elements of the “con.”
- b. Incorrect. This is how fraudsters lure in investors.
- c. Correct. This is very unlikely.
- d. Incorrect. The original principle is often used to make interest payments.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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3. The following are all elements of Title 26, U.S. Code Section 7201 EXCEPT:
- a. not reporting bribe income may be grounds for being charged with tax evasion.
 - b. filing income tax that excludes income from fraud may be considered an improper tax filing.
 - c. bribes paid may be deducted as business expenses.
 - d. failure to report income from fraud may be grounds for being charged with tax evasion.

ANSWER: c

RATIONALE:

- a. Incorrect. Not reporting bribe income may be grounds for being charged with tax evasion.
- b. Incorrect. Filing income tax that excludes income from fraud may be considered an improper tax filing.
- c. Correct. Bribes cannot be deducted as legitimate business expenses.
- d. Incorrect. Failure to report income from fraud or bribes may be prosecuted as tax evasion.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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4. Which one of the following is NOT a characteristic of a criminal proceeding?
- a. Deals with offenses against society.
 - b. Consequences include restitution and damage payments.
 - c. Jury of 12 individuals.
 - d. Only one claim may be heard at a time.

ANSWER: b

RATIONALE:

- a. Incorrect. A crime is considered an offense against society.
- b. Correct. In a criminal proceeding, the consequences are jail and/or fines.
- c. Incorrect. A criminal jury consists of 12 jurors.
- d. Incorrect. Only one claim is heard at a time, whereas in a civil case many claims may be joined into one action.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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5. Management fraud is often referred to as:

- a. stockholder fraud.
- b. financial statement fraud.
- c. employee fraud.
- d. investment fraud.

ANSWER: b

RATIONALE:

- a. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
- b. Correct. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
- c. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
- d. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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6. What is required to prove fraud, as opposed to negligence?

- a. Gross error
- b. Intent
- c. Preponderance of the evidence
- d. Confession from the perpetrator

ANSWER: b

RATIONALE:

- a. Incorrect. Gross error is not sufficient evidence to prove fraud.
- b. Correct. To succeed in a criminal or civil prosecution, it is usually necessary to show that the perpetrator acted with intent to defraud the victim.
- c. Incorrect. This is what is proven in a civil case.
- d. Incorrect. Confession is not required to prove fraud. In fact, many perpetrators never admit their guilt.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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7. Which of the following is the most common type of occupational fraud?
- a. Management fraud
 - b. Mail fraud
 - c. Investment fraud
 - d. Employee embezzlement

ANSWER: d

RATIONALE: a. Incorrect. Employee embezzlement is the most common type of occupational fraud.
b. Incorrect. Employee embezzlement is the most common type of occupational fraud.
c. Incorrect. Employee embezzlement is the most common type of occupational fraud.
d. Correct. Employee embezzlement is the most common type of occupational fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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8. Which of the following is NOT a characteristic of management fraud?
- a. Top management deception
 - b. Manipulation of financial statements
 - c. Kickbacks or bribes
 - d. Pressure to earn year-end bonuses

ANSWER: c

RATIONALE: a. Incorrect. Management fraud often involves top management's deceptive manipulation. Management fraud is when the top management deceives stockholders.
b. Incorrect. Management often uses the manipulation of financial statements to commit fraud. This is one of the easiest ways to commit a large fraud.
c. Correct. These are examples of employee embezzlement. Management fraud usually deals with financial statement manipulation.
d. Incorrect. Many managers commit fraud to receive large bonuses that are dependent upon financial performance.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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9. Customer fraud includes all of the following EXCEPT:
- getting something for nothing.
 - not paying for goods purchased.
 - receiving improper payments through collusion between buyers and vendors.
 - deceiving the organization into giving the customer something that it should not.

ANSWER: c

RATIONALE:

- Incorrect. This is an example of customer fraud.
- Incorrect. This is an example of customer fraud.
- Correct. This is an example of vendor fraud.
- Incorrect. This is an example of customer fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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10. Which of the following is a common example of vendor fraud?
- Fraud perpetrated through collusion between buyers and vendors.
 - Fraud perpetrated by upper management.
 - The perpetrator physically removes the inventory from the business premises.
 - A fraud perpetrated through financial statement manipulation.

ANSWER: a

RATIONALE:

- Correct. Vendor fraud comes in two common forms: (1) fraud perpetrated by vendors acting alone and (2) fraud perpetrated through collusion between buyers and vendors.
- Incorrect. Vendor fraud comes in two common forms: (1) fraud perpetrated by vendors acting alone and (2) fraud perpetrated through collusion between buyers and vendors.
- Incorrect. Vendor fraud comes in two common forms: (1) fraud perpetrated by vendors acting alone and (2) fraud perpetrated through collusion between buyers and vendors.
- Incorrect. Vendor fraud comes in two common forms: (1) fraud perpetrated by vendors acting alone and (2) fraud perpetrated through collusion between buyers and vendors.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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11. Government agencies such as the FBI, FDIC, IRS, or various health agencies publish fraud statistics from time to time. Which of the following observations concerning such statistics is true?
- Generally, their statistics are complete.
 - Such information is rarely used.
 - They provide only those statistics related to their jurisdiction.
 - They usually provide a total picture in the areas for which they have responsibility.

ANSWER: c

RATIONALE:

- Incorrect. Government agencies only publish those statistics that are directly related to their jurisdictions. As a result, their statistics are not complete and do not provide a total picture of fraud—even in the areas for which they have responsibility.
- Incorrect. Government agencies only publish those statistics that are directly related to their jurisdictions. As a result, their statistics are not complete and do not provide a total picture of fraud—even in the areas for which they have responsibility.
- Correct. Government agencies only publish those statistics that are directly related to their jurisdictions. As a result, their statistics are not complete and do not provide a total picture of fraud—even in the areas for which they have responsibility.
- Incorrect. Government agencies only publish those statistics that are directly related to their jurisdictions. As a result, their statistics are not complete and do not provide a total picture of fraud—even in the areas for which they have responsibility.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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12. Which legal code makes the bribing of public officials illegal?
- Title 18, U.S. Code Section 201
 - Title 41, U.S. Code Section 51 to 58
 - Title 18, U.S. Code Section 1341
 - Title 18, U.S. Code Section 1344

ANSWER: a

RATIONALE:

- Correct. Title 18, U.S. Code Section 201 outlaws the bribing of public officials.
- Incorrect. Title 18, U.S. Code Section 201 outlaws the bribing of public officials.
- Incorrect. Title 18, U.S. Code Section 201 outlaws the bribing of public officials.
- Incorrect. Title 18, U.S. Code Section 201 outlaws the bribing of public officials.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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13. Fraud has a direct dollar-for-dollar impact on a company's:

- a. revenues.
- b. net income.
- c. profit margin.
- d. stock price.

ANSWER:

b

RATIONALE:

- a. Incorrect. Fraud does not have a dollar-for-dollar impact on revenues. It takes significantly more revenues to cover the effect of the fraud on net income. Because revenues don't include the business costs, and the fraud directly hits the bottom line, ultimately, the fraud is much more expensive than it sounds.
- b. Correct. Losses incurred from fraud reduce a firm's income on a dollar-for-dollar basis. This means that for every \$1 of fraud, the net income of the firm is reduced by \$1.
- c. Incorrect. The profit margin is a percentage. It really tells the company how much revenue the company must generate to recover the fraud losses. For example, if the company has a 10% profit margin, and the fraud cost \$436 million, the company would have to generate \$4.36 billion or $(436 \text{ million} / .1)$ to recover the costs of the fraud.
- d. Incorrect. The stock price literally cannot drop by the amount of the fraud. If price per share was \$5 and the fraud was \$100,000, then stock price could not drop below \$0. However, if the fraud is \$100,000, the price per share multiplied by the number of shares outstanding will probably drop considerably more than \$100,000.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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14. Which of the following is NOT a primary reason for increased size and number of frauds?
- a. The advent of computers
 - b. Complex accounting systems
 - c. Increased centralization of businesses
 - d. The Internet

ANSWER: c

RATIONALE:

- a. Incorrect. This is a primary reason for the increased frequency of fraud.
- b. Incorrect. This is a primary reason for the increased frequency of fraud.
- c. Correct. With the advent of computers, the Internet, and complex accounting systems, the size and number of frauds have increased tremendously.
- d. Incorrect. This is a primary reason for the increased frequency of fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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15. Which of the following statements regarding civil law is correct?
- a. When fraud is committed, criminal prosecution usually proceeds before civil prosecution.
 - b. Civil law is the body of law that provides remedies for crimes against society.
 - c. Civil cases must be heard by 12 jurors.
 - d. In a civil case, the verdict of the jury must be unanimous.

ANSWER: c

RATIONALE:

- a. Correct. Fraud may result in both civil and criminal charges; criminal prosecution usually proceeds first.
- b. Incorrect. Civil law is the body of law that provides remedies for violations of private rights.
- c. Incorrect. Civil cases are often heard by a judge only or by as few as 6 jurors.
- d. Incorrect. The verdict of the jury need not be unanimous.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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16. The elements of fraud include all of the following EXCEPT:

- a. a material point is misrepresented.
- b. the misrepresentation is intentional.
- c. the misrepresentation is known to the victim.
- d. the victim must sustain damages.

ANSWER: c

RATIONALE: a. Incorrect. An element of fraud is that a material point was misrepresented.
b. Incorrect. In every fraud there must be intent.
c. Correct. The victim must believe the misrepresentation.
d. Incorrect. For fraud to take place, the victim must sustain damages.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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17. The burden of proof in a criminal case:

- a. is beyond a reasonable doubt.
- b. is determined by the majority of the jury members.
- c. is the preponderance of evidence.
- d. lies with the defendant.

ANSWER: a

RATIONALE: a. Correct. In a criminal case, perpetrators must be proven guilty “beyond a reasonable doubt” with unanimous rule of jurors. Plaintiffs in civil cases must only prove their case by the “preponderance of the evidence.”
b. Incorrect. In a criminal case, perpetrators must be proven guilty “beyond a reasonable doubt” with unanimous rule of jurors. Plaintiffs in civil cases must only prove their case by the “preponderance of the evidence.”
c. Incorrect. In a criminal case, perpetrators must be proven guilty “beyond a reasonable doubt” with unanimous rule of jurors. Plaintiffs in civil cases must only prove their case by the “preponderance of the evidence.”
d. Incorrect. In a criminal case, perpetrators must be proven guilty “beyond a reasonable doubt” with unanimous rule of jurors. Plaintiffs in civil cases must only prove their case by the “preponderance of the evidence.”

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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18. Which of the following statements about criminal and civil cases is correct?
- a. The purpose of a criminal case is "to right a wrong," the purpose of civil case is to obtain a remedy.
 - b. A jury must have 12 people in civil cases, but in criminal cases may consist of fewer than 12 persons.
 - c. Both criminal cases and civil cases require a fraud perpetrator to make payments for damages.
 - d. Only one claim may be tried at a time in civil cases, but in criminal cases, various claims may be joined in one action.

ANSWER: a

RATIONALE: a. Correct.
b. Incorrect.
c. Incorrect.
d. Incorrect.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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19. How is the confidence element established in a Ponzi scheme?
- a. By investing in prime bonds.
 - b. By issuing notarized certificates.
 - c. By paying returns to investors initially.
 - d. By returning money to all investors.

ANSWER: c

RATIONALE: a. Incorrect. By paying early "returns," Ponzi gained investors' confidence and convinced them that he had a legitimate business.
b. Incorrect. By paying early "returns," Ponzi gained investors' confidence and convinced them that he had a legitimate business.
c. Correct. By paying early "returns," Ponzi gained investors' confidence and convinced them that he had a legitimate business.
d. Incorrect. By paying early "returns," Ponzi gained investors' confidence and convinced them that he had a legitimate business.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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20. The most common fraud committed on behalf of an organization is:

- a. vendor fraud.
- b. employee embezzlement.
- c. fraudulent financial reporting.
- d. customer fraud.

ANSWER: c

RATIONALE:

- a. Incorrect. Vendor fraud is not committed on behalf of the organization. Vendor fraud is committed against the organization.
- b. Incorrect. Employee embezzlement is an occupational fraud that focuses on deceiving the organization.
- c. Correct. This is the only answer where the organization (the organization's management) is actually responsible for the fraud.
- d. Incorrect. Customer fraud is not committed against the customer but by the customer. Customer fraud is also committed against the organization.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.4

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21. A company is a victim of a \$414 million fraud. At that time its profit margin is 10%. How much additional revenue should the company generate in order to recover the effect on net income?

- a. \$41.4 million
- b. \$414 million
- c. \$4.14 billion
- d. \$41.4 billion

ANSWER: c

RATIONALE:

- a. Incorrect. The company must generate 10 times the amount of the fraud.
- b. Incorrect. The company must generate 10 times the amount of the fraud.
- c. Correct. The company must generate 10 times the amount of the fraud.
- d. Incorrect. The company must generate 10 times the amount of the fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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22. The victim is a company or organization in all of the following EXCEPT:

- a. vendor fraud.
- b. investment scams.
- c. employee embezzlement.
- d. customer fraud.

ANSWER: b

RATIONALE: a. Incorrect. In investment scams and other consumer frauds, the victims are unwary individuals.
b. Correct. In investment scams and other consumer frauds, the victims are unwary individuals.
c. Incorrect. In investment scams and other consumer frauds, the victims are unwary individuals.
d. Incorrect. In investment scams and other consumer frauds, the victims are unwary individuals.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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23. The Anti-Kickback Act of 1986 intends to prevent:

- a. bribery, by punishing perpetrators with up to 15 years in prison.
- b. any scheme by a contractor to gain the business of a global entity.
- c. the giving or receiving of anything of value by a subcontractor to a prime contractor in U.S. government contracts.
- d. the custom of lobbyists to give gifts to influence laws regarding business transactions.

ANSWER: c

RATIONALE: a. Incorrect. This is not addressed in the Anti-Kickback Act of 1986.
b. Incorrect. This is not addressed in the Anti-Kickback Act of 1986.
c. Correct. This is addressed in the Anti-Kickback Act of 1986.
d. Incorrect. This is not addressed in the Anti-Kickback Act of 1986.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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24. Which of the following entails an insider who has material inside information purchasing or selling the company's securities through insider deals directly or through an exchange?
- a. Bank fraud
 - b. Ponzi schemes
 - c. Management (financial statement) frauds
 - d. Securities fraud

ANSWER: d

RATIONALE:

- a. Incorrect. Securities fraud involves an insider who purchases or sells the company's securities based on material inside information.
- b. Incorrect. Securities fraud involves an insider who purchases or sells the company's securities based on material inside information.
- c. Incorrect. Securities fraud involves an insider who purchases or sells the company's securities based on material inside information.
- d. Correct. Securities fraud involves an insider who purchases or sells the company's securities based on material inside information.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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25. Who are the primary victims of financial statement fraud?
- a. Middle management
 - b. Organizations that buy goods or services
 - c. Analysts
 - d. Stockholders

ANSWER: d

RATIONALE:

- a. Incorrect. While they are negatively affected by fraud, they do not rely on financial statements to the same degree as stockholders.
- b. Incorrect. Organizations that buy goods or services are victims of vendor fraud.
- c. Incorrect. They may be fooled by financial statement fraud, but they would not suffer as much as stockholders.
- d. Correct. Stockholders are the primary victims of management fraud because they are the ones who depend most on the accuracy of the financial statements.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.4

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26. Generally, applicants for CFE certification should have a minimum of a bachelor's degree or equivalent from an institution of higher learning. Alternatively, if applicants do not have a bachelor's degree, they may substitute _____ months of fraud-related professional experience for each year of academic study.
- a. 24
 - b. 18
 - c. 12
 - d. 9

ANSWER:

a

RATIONALE:

- a. Correct. Applicants may substitute two years of fraud-related professional experience for each year of academic study.
- b. Incorrect. Applicants may substitute two years of fraud-related professional experience for each year of academic study.
- c. Incorrect. Applicants may substitute two years of fraud-related professional experience for each year of academic study.
- d. Incorrect. Applicants may substitute two years of fraud-related professional experience for each year of academic study.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.6

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27. The ACFE does NOT include which of the following major categories of occupational fraud?
- a. Asset misappropriations
 - b. Corruption
 - c. Fraudulent statements
 - d. Pension fraud

ANSWER:

d

RATIONALE:

- a. Incorrect. The ACFE includes three major categories of occupational fraud: (1) asset misappropriations, (2) corruption, and (3) fraudulent financial statements.
- b. Incorrect. The ACFE includes three major categories of occupational fraud: (1) asset misappropriations, (2) corruption, and (3) fraudulent financial statements.
- c. Incorrect. The ACFE includes three major categories of occupational fraud: (1) asset misappropriations, (2) corruption, and (3) fraudulent financial statements.
- d. Correct. The ACFE includes three major categories of occupational fraud: (1) asset misappropriations, (2) corruption, and (3) fraudulent financial statements.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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28. What is the most cost-effective way to minimize the cost of fraud?

- a. Prevention
- b. Detection
- c. Investigation
- d. Prosecution

ANSWER: a

RATIONALE: a. Correct. Preventing fraud is the most cost-effective way to minimize the overall cost of fraud.
b. Incorrect. Preventing fraud is the most cost-effective way to minimize the overall cost of fraud.
c. Incorrect. Preventing fraud is the most cost-effective way to minimize the overall cost of fraud.
d. Incorrect. Preventing fraud is the most cost-effective way to minimize the overall cost of fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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29. Fraud in companies such as WorldCom, Enron, Waste Management, Sunbeam, Rite-Aid, Phar-Mor, and Parmalat are examples of:

- a. customer fraud.
- b. investment scams.
- c. vendor fraud.
- d. management fraud.

ANSWER: d

RATIONALE: a. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
b. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
c. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.
d. Correct. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.4

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30. Which of the following statements is true?
- a. Fraud usually results from unintentional errors.
 - b. Fraud is more violent and traumatic than robbery.
 - c. Fraud always involves deception, confidence, and trickery.
 - d. Losses from fraud are less than losses from robbery.

ANSWER: c

RATIONALE:

- a. Incorrect. Fraud, by definition, is intentional.
- b. Incorrect. Robbery is generally more violent and more traumatic than fraud.
- c. Correct. Fraud involves deception, confidence, and trickery.
- d. Incorrect. Losses from fraud far exceed losses from robbery.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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31. To be successful, plaintiffs in civil cases must prove their case by which of the following?
- a. By the preponderance of the evidence
 - b. Beyond a reasonable doubt
 - c. To a degree of reasonable mitigation
 - d. To the standard of prima facie

ANSWER: a

RATIONALE:

- a. Correct. To be successful, plaintiffs in civil cases must only prove their case by the "preponderance of the evidence."
- b. Incorrect. To be successful, plaintiffs in civil cases must only prove their case by the "preponderance of the evidence."
- c. Incorrect. To be successful, plaintiffs in civil cases must only prove their case by the "preponderance of the evidence."
- d. Incorrect. To be successful, plaintiffs in civil cases must only prove their case by the "preponderance of the evidence."

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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Chapter 01

32. Which of the following is NOT an example of a fraud-fighting career?
- a. Working for the criminal investigation division of the IRS
 - b. Serving as an expert witness
 - c. Maintaining the security of public records
 - d. Defending an organization being sued in a civil case

ANSWER: c

RATIONALE:

- a. Incorrect. This is a fraud-fighting career.
- b. Incorrect. This is a fraud-fighting career.
- c. Correct. Experience as a security guard or equivalent does not count as fraud-related experience.
- d. Incorrect. This is a fraud-fighting career. Lawyers are needed to defend and prosecute cases.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.6

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33. Which of the following observations concerning occupational fraud is NOT true?
- a. It is clandestine.
 - b. It is committed for the purpose of direct or indirect financial benefit to the employee.
 - c. It usually involves two or more employees.
 - d. It costs the employing organization assets, revenues, or reserves.

ANSWER: c

RATIONALE:

- a. Incorrect. Occupational fraud could be committed by a person or a group of persons acting in concert.
- b. Incorrect. Occupational fraud could be committed by a person or a group of persons acting in concert.
- c. Correct. Occupational fraud could be committed by a person or a group of persons acting in concert.
- d. Incorrect. Occupational fraud could be committed by a person or a group of persons acting in concert.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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34. Which of the following is NOT one of the major types of fraud classification schemes?
- a. Employee embezzlement
 - b. Government fraud
 - c. Investment scams
 - d. Customer fraud

ANSWER: b

RATIONALE:

- a. Incorrect. The six types of fraud include employee embezzlement.
- b. Correct. The six types of fraud include employee embezzlement, management fraud, investment scams, vendor fraud, customer fraud, and other (miscellaneous) fraud.
- c. Incorrect. The six types of fraud include investment scams.
- d. Incorrect. The six types of fraud include customer fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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35. Which of the following frauds is usually the most expensive?
- a. Vendor fraud
 - b. Customer fraud
 - c. Occupational fraud
 - d. Management (financial statement) fraud

ANSWER: d

RATIONALE:

- a. Incorrect. Management fraud involves top management's deceptive manipulation of financial statements and results in the most losses to victims.
- b. Incorrect. Management fraud involves top management's deceptive manipulation of financial statements and results in the most losses to victims.
- c. Incorrect. Management fraud involves top management's deceptive manipulation of financial statements and results in the most losses to victims.
- d. Correct. Management fraud involves top management's deceptive manipulation of financial statements and results in the most losses to victims.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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Chapter 01

36. Civil claims begin when one party files a complaint against another, usually for the purpose of:
- having a penalty imposed.
 - sending the perpetrator to prison.
 - proving the perpetrator guilty.
 - being awarded financial restitution.

ANSWER: d

RATIONALE:

- Incorrect. The purpose of a civil lawsuit is to gain compensation for harm an individual or organization believes has been done to him or her (it).
- Incorrect. The purpose of a civil lawsuit is to gain compensation for harm an individual or organization believes has been done to him or her (it).
- Incorrect. The purpose of a civil lawsuit is to gain compensation for harm an individual or organization believes has been done to him or her (it).
- Correct. The purpose of a civil lawsuit is to gain compensation for harm an individual or organization believes has been done to him or her (it).

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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37. Employee embezzlement can be direct or indirect. Indirect fraud occurs when:
- an employee uses company assets to run his/her private business.
 - employees establish dummy companies and have their employers pay for goods that are not actually delivered.
 - an employee receives a kickback from a vendor.
 - an employee steals company cash, inventory, tools, or other assets.

ANSWER: c

RATIONALE:

- Incorrect. This is an example of direct fraud.
- Incorrect. This is an example of direct fraud.
- Correct. This is an example of indirect fraud.
- Incorrect. This is an example of direct fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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Chapter 01

38. Telemarketing fraud usually falls into this category.
- a. Investment scams
 - b. Management fraud
 - c. Vendor fraud
 - d. Embezzlement

ANSWER: a

RATIONALE:

- a. Correct. Telemarketing fraud falls into the category of investment scams, in which victims are often first contacted by telephone and convinced to make worthless investments.
- b. Incorrect. Telemarketing fraud falls into the category of investment scams, in which victims are often first contacted by telephone and convinced to make worthless investments.
- c. Incorrect. Telemarketing fraud falls into the category of investment scams, in which victims are often first contacted by telephone and convinced to make worthless investments.
- d. Incorrect. Telemarketing fraud falls into the category of investment scams, in which victims are often first contacted by telephone and convinced to make worthless investments.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.3

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39. The word "con," which means to deceive, comes from the word:
- a. Contract.
 - b. Conserve.
 - c. Confuse.
 - d. Confidence.

ANSWER: d

RATIONALE:

- a. Incorrect. The word "con" comes from confidence.
- b. Incorrect. The word "con" comes from confidence.
- c. Incorrect. The word "con" comes from confidence.
- d. Correct. The word "con" comes from confidence.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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Chapter 01

40. In fraud prosecution cases, _____ matter consists of the underlying data and all corroborating information available.
- a. evidential
 - b. remedial
 - c. supplemental
 - d. elementary

ANSWER: a

RATIONALE:

- a. Correct. Evidential matter consists of the underlying data and all corroborating information available.
- b. Incorrect. Evidential matter consists of the underlying data and all corroborating information available.
- c. Incorrect. Evidential matter consists of the underlying data and all corroborating information available.
- d. Incorrect. Evidential matter consists of the underlying data and all corroborating information available.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.5

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41. The study conducted by the Association of Certified Fraud Examiners in 2016 estimated that organizations lose _____ percent of their annual revenues to fraud.
- a. 8
 - b. 5
 - c. 23
 - d. 17

ANSWER: b

RATIONALE:

- a. Incorrect. The study estimated that organizations lose 5 percent of their annual revenue to fraud.
- b. Correct. Applied to the estimated 2015 gross world product, this 5 percent figure would translate to approximately \$6.3 billion in fraud losses.
- c. Incorrect. The study estimated that organizations lose 5 percent of their annual revenue to fraud.
- d. Incorrect. The study estimated that organizations lose 5 percent of their annual revenue to fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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42. A company was the victim of several frauds that totaled approximately \$10 million in one year. With a profit margin of 10 percent, and assuming that the company's product sold for \$1,000 per unit, how many additional units must the company sell to compensate for the fraud losses?
- a. 1 million
 - b. 100 million
 - c. 100,000
 - d. 10,000

ANSWER:

c

RATIONALE:

- a. Incorrect. ($\$10 \text{ million loss} / 0.1 = \$100 \text{ million in revenues}$. $\$100 \text{ million} / \$1,000 \text{ per unit} = 100,000 \text{ units}$)
- b. Incorrect. ($\$10 \text{ million loss} / 0.1 = \$100 \text{ million in revenues}$. $\$100 \text{ million} / \$1,000 \text{ per unit} = 100,000 \text{ units}$)
- c. Correct. ($\$10 \text{ million loss} / 0.1 = \$100 \text{ million in revenues}$. $\$100 \text{ million} / \$1,000 \text{ per unit} = 100,000 \text{ units}$)
- d. Incorrect. ($\$10 \text{ million loss} / 0.1 = \$100 \text{ million in revenues}$. $\$100 \text{ million} / \$1,000 \text{ per unit} = 100,000 \text{ units}$)

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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Chapter 01

43. Given below are the profit margins and fraud-related losses of four economies. Which economy will have to generate the maximum dollar amount of additional revenues to recover the loss to aggregate income? Economy A: 10%, \$225 million Economy B: 10%, \$150 million Economy C: 5%, \$100 million Economy D: 2%, \$50 million
- a. Economy A
 - b. Economy D
 - c. Economy C
 - d. Economy B

ANSWER:

b

RATIONALE:

- a. Incorrect. The additional revenue requirements will be calculated as: additional revenue = loss/profit margin (Economy A - \$2.25 billion; Economy B - \$1.5 billion; Economy C - \$2 billion; and Economy D - \$2.5 billion)
- b. Correct. The additional revenue requirements will be calculated as: additional revenue = loss/profit margin (Economy A - \$2.25 billion; Economy B - \$1.5 billion; Economy C - \$2 billion; and Economy D - \$2.5 billion)
- c. Incorrect. The additional revenue requirements will be calculated as: additional revenue = loss/profit margin (Economy A - \$2.25 billion; Economy B - \$1.5 billion; Economy C - \$2 billion; and Economy D - \$2.5 billion)
- d. Incorrect. The additional revenue requirements will be calculated as: additional revenue = loss/profit margin (Economy A - \$2.25 billion; Economy B - \$1.5 billion; Economy C - \$2 billion; and Economy D - \$2.5 billion)

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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Chapter 01

44. The GDP in the economy of Ponziland was \$5 billion in the year prior to the frauds (Year 1). The economy was growing at 4 percent. Frauds during the year reduce aggregate income by \$200 million. During the year, the economy has:
- a. shrunk by 1 percent.
 - b. grown by only 1 percent.
 - c. remained flat.
 - d. grown by 4 percent.

ANSWER:

c

RATIONALE:

- a. Incorrect. Since the frauds reduce aggregate income by \$200 million, the GDP in year 2 is only \$5 billion (as against what would have been \$5.2 billion at 4 percent growth), and the economy has remained flat.
- b. Incorrect. Since the frauds reduce aggregate income by \$200 million, the GDP in year 2 is only \$5 billion (as against what would have been \$5.2 billion at 4 percent growth), and the economy has remained flat.
- c. Correct. Since the frauds reduce aggregate income by \$200 million, the GDP in year 2 is only \$5 billion (as against what would have been \$5.2 billion at 4 percent growth), and the economy has remained flat.
- d. Incorrect. Since the frauds reduce aggregate income by \$200 million, the GDP in year 2 is only \$5 billion (as against what would have been \$5.2 billion at 4 percent growth), and the economy has remained flat.

POINTS:

1

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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Chapter 01

45. What is the single most critical element for a fraud to be successful?

- a. Criminal intent
- b. Confidence
- c. Greed
- d. Compulsion

ANSWER: b

RATIONALE:

- a. Incorrect. It is difficult to con anyone out of anything unless the deceived has confidence in the deceiver.
- b. Correct. It is difficult to con anyone out of anything unless the deceived has confidence in the deceiver.
- c. Incorrect. It is difficult to con anyone out of anything unless the deceived has confidence in the deceiver.
- d. Incorrect. It is difficult to con anyone out of anything unless the deceived has confidence in the deceiver.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.2

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46. Fraud statistics come from all of the following sources EXCEPT:

- a. government agencies.
- b. insurance companies.
- c. victims.
- d. fraud perpetrators.

ANSWER: d

RATIONALE:

- a. Incorrect. This is a source for statistics.
- b. Incorrect. This is a source for statistics.
- c. Incorrect. This is a source for statistics.
- d. Correct. Perpetrators do not generally provide statistics about their crimes.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.1

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Chapter 01

47. Which of the following skills would be LEAST beneficial in a career as a fraud-fighting professional?
- a. Analytical skills
 - b. Mechanical skills
 - c. Communication skills
 - d. Technological skills

ANSWER: b

RATIONALE:

- a. Incorrect. Some of the most important skills for a fraud-fighting professional to have are analytical, communication, and technological skills.
- b. Correct. Some of the most important skills for a fraud-fighting professional to have are analytical, communication, and technological skills.
- c. Incorrect. Some of the most important skills for a fraud-fighting professional to have are analytical, communication, and technological skills.
- d. Incorrect. Some of the most important skills for a fraud-fighting professional to have are analytical, communication, and technological skills.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.6

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48. Which of the following would NOT be acceptable as fraud-related experience to satisfy the education requirements to apply for CFE certification?
- a. Auditor (internal or external)
 - b. Investigator for a law enforcement agency or in the private sector
 - c. Experience in the Human Resources department of an organization
 - d. Paralegal for a prosecuting attorney

ANSWER: c

RATIONALE:

- a. Incorrect. To be considered fraud-related experience, an individual's responsibilities must include the detection, investigation, or deterrence of fraud.
- b. Incorrect. To be considered fraud-related experience, an individual's responsibilities must include the detection, investigation, or deterrence of fraud.
- c. Correct. To be considered fraud-related experience, an individual's responsibilities must include the detection, investigation, or deterrence of fraud.
- d. Incorrect. To be considered fraud-related experience, an individual's responsibilities must include the detection, investigation, or deterrence of fraud.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.6

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Chapter 01

49. Which of the following statements regarding fraud on behalf of an organization is true?
- a. Middle management is usually the perpetrator.
 - b. This type of fraud benefits top executives as it generally increases stock price.
 - c. This type of fraud includes deflating expenses in order to save on corporate income taxes.
 - d. Financial statement fraud is common among publicly traded companies that are experiencing windfall profits.

ANSWER: b

RATIONALE:

- a. Incorrect. Top management is usually the perpetrator.
- b. Correct. Executives of the company benefit because a company's stock price increases or remains artificially high.
- c. Incorrect. Corporate tax fraud to benefit the company would involve inflating expenses rather than deflating them.
- d. Incorrect. Financial statement fraud often occurs in companies that are experiencing net losses or have profits much less than expected.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.4

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50. Which individual listed is most likely to commit financial statement fraud in order to benefit an organization?
- a. An executive
 - b. An internal auditor
 - c. A floor manager (line supervisor)
 - d. The company treasurer

ANSWER: a

RATIONALE:

- a. Correct. It is executives that usually commit fraud "on behalf" of an organization.
- b. Incorrect. It is executives that usually commit fraud "on behalf" of an organization.
- c. Incorrect. It is executives that usually commit fraud "on behalf" of an organization.
- d. Incorrect. It is executives that usually commit fraud "on behalf" of an organization.

POINTS: 1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.19.1.4

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