

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

Certified Fraud Examiner - Financial Transactions and Fraud Schemes Exam

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NEW QUESTION 1

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 2

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 3

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 4

_____ 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 5

The fraudster's interest lies with an employer other than a company.

- A. True
- B. False

Answer: B

NEW QUESTION 6

A process by which several bidders conspire to split contracts up and ensure that each gets a certain amount of work is called:

- A. Bid opening
- B. Fictitious Bidding
- C. Bid pooling
- D. Bid log

Answer: C

NEW QUESTION 7

Larceny by Fraud or deception means that:

- A. Creates or reinforce a false impression
- B. Fails to correct a false impression
- C. Fails to disclose a known lien, adverse claim or other legal impediment
- D. All of the above

Answer: D

NEW QUESTION 8

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 9

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 10

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 10

_____ is to allow the owner, investors, creditors and others with an interest to know the appropriate book worth of the business at a particular date.

- A. Equity
- B. Balance sheet
- C. Income statement
- D. Financial record

Answer: B

NEW QUESTION 15

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 16

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

- A. Comply with debit 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 17

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 21

_____ 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 23

_____ 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 25

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 29

In which of the following process, all bidders are legally supposed to be placed on the same plane of equality, bidding on the same terms and conditions?

- A. Bid-rigging
- B. Kickbacks
- C. Competitive bidding
- D. Bid solicitation

Answer: C

NEW QUESTION 32

The price of an asset on which the asset is selling at on the open market in a transaction between a willing buyer and a willing seller is called:

- A. Absolute value
- B. Fair value
- C. Cost value
- D. material value

Answer: B

NEW QUESTION 36

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 37

The behavior profile of employees who are involved in bribery schemes may include:

- A. Gambling habit
- B. Extravagant lifestyle
- C. Drug and/or alcohol addiction
- D. All of the above

Answer: D

NEW QUESTION 42

_____ 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 44

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 45

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 48

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 49

_____ 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 50

Conflict of interest cases are more easily prevented than detected.

- A. True
- B. False

Answer: A

NEW QUESTION 53

According to accounting principles, _____ and _____ should be recorded or atched in the same accounting period; failing to do so violates the matching principle of AAP.

- A. Revenue and corresponding expenses
- B. Revenue and Income statement
- C. Income statement and Long-term contracts
- D. Capitalized expenses and Liabilities

Answer: A

NEW QUESTION 57

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 59

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 64

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 66

Which of the following are the classifications for the Corruption?

- A. Bribery, economic extortion, illegal gratuities and conflicts of interest
- B. Corruption, bribery, economic extortion, conflicts of interest
- C. Overbilling, bribery, bid-ridding and illegal gratuities
- D. economic extortion, bribery, illegal gratuities and corruption

Answer: A

NEW QUESTION 69

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 71

The excess credits (or debits) on the income statement are used to decrease (or increase) the equity account.

- A. True
- B. False

Answer: B

NEW QUESTION 75

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 80

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 84

A journal in which all sales made on credit or cash are listed is:

- A. Disbursement journal
- B. Accounts receivable journal
- C. Accounts payable journal
- D. General journal

Answer: B

NEW QUESTION 85

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 87

Delivery has not occurred or services have not been rendered when:

A. Until installation and customer testing and acceptance has occurred.

B. A written order exists but contains a right of return.

C. Both A & B

D. Neither A nor B

Answer: B

NEW QUESTION 89

The difference between assets and liabilities is called:

A. Equity

B. Expense

C. Revenue

D. Income statement

Answer: A

NEW QUESTION 93

In _____ scheme, an employee creates false vouchers or submits false invoices to the employer.

A. Sale requisition

B. Purchase requisition

C. Voucher handling

D. Cash generating

Answer: D

NEW QUESTION 96

_____ can be defined as conduct detrimental to the organization and to the employee.

A. Employee deviance

B. Employee theft

C. Employee fraud

D. All of the above

Answer: A

NEW QUESTION 100

The essential elements of a _____ are an actual or constructive taking away of the goods or property of another with the without the consent and against the will of the owner and with a felonious intent.

A. Larceny

B. Abuse

C. Fiduciary

D. None of the above

Answer: A

NEW QUESTION 102

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