

ACFE

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

Certified Fraud Examiner - Financial Transactions and Fraud Schemes Exam



NEW QUESTION 1

In Fraud scale pressure, opportunity and integrity variables all results in a list of ____ possible red flags or indicators of occupational fraud and abuse.

- A. 81
- B. 82
- C. 83
- D. 84

Answer: B

NEW QUESTION 2

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 3

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 4

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 5

_____ 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 6

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 7

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 8

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 9

The fraudsters?? interest lies with an employer other than a company.

- A. True
- B. False

Answer: B

NEW QUESTION 10

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 10

What can make it easy for an employee to skim sales or receivables?

- A. Revenue sources and recording procedures
- B. Poor collection and recording procedures
- C. Internal audits and recording procedures
- D. Register manipulations and recording procedures

Answer: B

NEW QUESTION 11

In _____ scheme, a supplier pays an employee of the purchasing company to write specifications that will require amendments at a later date.

- A. Deliberate writing of vague specifications
- B. Need recognition
- C. False specification
- D. Bid-splitting

Answer: A

NEW QUESTION 15

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 16

Which of the following is NOT standard of generally accepted accounting principles?

- A. Conservatism
- B. Cost
- C. Full disclosure
- D. Quality control

Answer: D

NEW QUESTION 17

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 18

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 20

_____ is a process by which a bookkeeper records all transactions and can adjust the books.

- A. Journal Entries
- B. Accounting Cycle
- C. Financial statement
- D. None of all

Answer: A

NEW QUESTION 24

A tangible asset is one which is:

- A. capable of being perceived
- B. capable of being appraised
- C. Both A & B
- D. Neither A nor B

Answer: C

NEW QUESTION 27

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 32

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 33

According to fraud tree, cash has three following schemes:

- A. Skimming, cash larceny and fraudulent disbursements
- B. Fraud analysis, skimming and cash misappropriations
- C. Cash larceny, cash distribution and fraudulent disbursements
- D. Cash distribution, skimming and fraud analysis

Answer: A

NEW QUESTION 34

The scheme in which the same vendor is receiving favorable treatment can be found in purchases by vendor searches.

- A. True
- B. False

Answer: A

NEW QUESTION 39

Which of the following is NOT the reason to bribe employees of the purchaser?

- A. To ensure receipt of a late bid
- B. To extend the bid opening date
- C. To ensure bid-splitting
- D. To falsify the bid log

Answer: C

NEW QUESTION 42

A running count that records how much inventory should be on hand is referred to:

- A. Altered inventory
- B. Perpetual inventory
- C. Shrinking inventory
- D. Fictitious inventory

Answer: B

NEW QUESTION 44

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 46

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 51

In Cressey's fraud triangle, its three of the legs are Opportunity, Pressure and

- A. Violation
- B. Isolation
- C. Rationalization
- D. None of the above

Answer: C

NEW QUESTION 55

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 59

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 62

_____ 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 67

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 72

_____ 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 74

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 79

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 83

The scheme which reduces victim companies to issue fraudulent payments for goods or services that they have not received is called:

- A. Bogus claims
- B. Billing scheme
- C. Reliance billing
- D. Misappropriate claims

Answer: A

NEW QUESTION 84

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 86

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 90

A person is said to be in _____ act, when the business which he transacts, or the money or property which he handles, is not for his own benefit, but for another person:

- A. Fiduciary Capacity
- B. Embezzlement
- C. Conversion
- D. None of the above

Answer: A

NEW QUESTION 91

When expenses used to produce income- all of them- should be matched in a consistent manner against that income, this is referred to:

- A. Equity
- B. Accrual basis accounting
- C. Expense
- D. Financial record

Answer: B

NEW QUESTION 93

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 98

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 101

_____ should be examined to see that all are properly documented and that inappropriate payments have not been made to employees.

- A. Payable cash
- B. Cash advances
- C. counterfeit checks
- D. Payable checks

Answer: B

NEW QUESTION 105

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 110

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 112

Asset misappropriation schemes were the ??middle children?? of the study; they were more common than fraudulent statements and more costly than corruption.

- A. True
- B. False

Answer: B

NEW QUESTION 113

_____ 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 118

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 119

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 120

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 122

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 126

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 128

_____ 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 129

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 130

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 135

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 140

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 143

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 145

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 146

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 149

Which of the following factors is NOT included in most financial statement schemes?

- A. Fictitious revenues
- B. Persuasive Evidence
- C. Concealed liabilities and expenses
- D. Improper asset valuations

Answer: B

NEW QUESTION 150

In which phase of competitive bidding process, fraudsters attempt to influence the selection of a contractor by restricting the pool of competitors from whom bids are sought?

- A. Need recognition
- B. Solicitation
- C. False specification
- D. Submission

Answer: B

NEW QUESTION 151

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 156

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 160

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 165

Skimming cases can more likely to be detected by:

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

Answer: B

NEW QUESTION 166

Financial statement fraud is committed by:

- A. Organized criminals
- B. Mid and lower level employees
- C. Senior Management
- D. All of the above

Answer: D

NEW QUESTION 171

Revenue is recognized when it is:

- A. Realized and Earned
- B. Fictitious and Earned
- C. Realized and Evidenced
- D. All of the above

Answer: A

NEW QUESTION 172

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 174

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

- A. True
- B. False

Answer: B

NEW QUESTION 178

Asset misappropriations have an effect on the liabilities and do also have an indirect effect on the equity account.

- A. True
- B. False

Answer: B

NEW QUESTION 183

When a victim company purchases unnecessary goods or services from a supplier at the direction of the corrupt employee, this results in:

- A. Presolicitation scheme
- B. Need recognition scheme
- C. False sole-source scheme
- D. Submission scheme

Answer: B

NEW QUESTION 187

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 190

By removing a tangible asset from the business (a debit), the books will be _____ by the exact amount of the tangible asset misappropriated.

- A. Journal Entries
- B. Out-of-balance
- C. False debits
- D. None of all

Answer: B

NEW QUESTION 194

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 196

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 200

_____ should be examined to see that all are properly documented and that inappropriate payments have not been made to employees.

- A. Payable cash
- B. Cash advances
- C. counterfeit checks

D. Payable checks

Answer: B

NEW QUESTION 203

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 205

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 207

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 212

Assets that are long-lived and that differ from property, plant and equipment hat has been purchased outright or acquired under a capital lease are:

- A. Tangible Assets
- B. Intangible Assets
- C. Forced Assets
- D. None of above

Answer: B

NEW QUESTION 216

A _____ occurs when an employee, manager or executive has an undisclosed economic or personal interest in a transaction that adversely affects the organization.

- A. Conflict of interest
- B. Illegal sale
- C. Unauthorized purchase
- D. Financial disclosure

Answer: A

NEW QUESTION 219

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 221

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