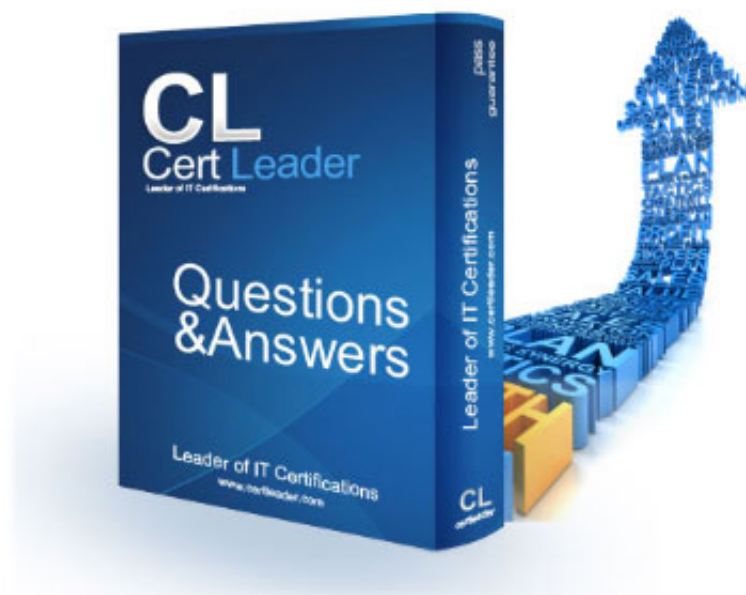


## CFE-Fraud-Prevention-and-Deterrence Dumps

### Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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**NEW QUESTION 1**

According to The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, which of the following should the internal audit team evaluate in its assessment of the risk management process?

- A. The materiality of the organization's financial statements
- B. The organization's fraud risk management initiatives
- C. The management team's assessment of the internal controls over financial reporting
- D. The organization's risk exposures relating to the sale of assets

**Answer:** B

**NEW QUESTION 2**

According to behaviorists such as B F Skinner, which of the following scenarios is mostly likely to occur when an undesired behavior is punished?

- A. The behavior will be permanently suppressed
- B. The behavior will return when punishment ceases
- C. The behavior will occur more frequently.
- D. The behavior will not be affected by the punishment

**Answer:** A

**NEW QUESTION 3**

According to the differential reinforcement theory, behavior is weakened when positive rewards are gained or punishment is avoided

- A. True
- B. False

**Answer:** A

**NEW QUESTION 4**

As part of her audit of ABC Corp . Rachel, a CPA. is identifying the risks of material misstatement due to fraud As part of this task, she should evaluate any unexpected relationships that she identified in performing analytical procedures.

- A. True
- B. False

**Answer:** A

**NEW QUESTION 5**

Which of the following statements regarding white-collar defendants is TRUE?

- A. The lower the offenders' social status, the more likely they are to be imprisoned
- B. They are more likely to be fined than to face prison terms as punishment
- C. They are less likely to insist on a trial than other offenders
- D. All of the above

**Answer:** B

**NEW QUESTION 6**

Which of the following is FALSE regarding an organization's anti-fraud policy?

- A. A detailed anti-fraud policy can make it easier to investigate and punish employees who commit fraud and other dishonest acts.
- B. One of the most important considerations in developing the anti-fraud policy is to ensure every allegation is handled in a uniform-manner
- C. To avoid legal problems in discharging employees, the anti-fraud policy should not include any specific examples of fraud and misconduct
- D. In developing the anti-fraud policy, management should check with legal counsel regarding any legal considerations with respect to the policy

**Answer:** C

**NEW QUESTION 7**

International Standard on Auditing (ISA) 240 establishes auditors as being primarily responsible for the prevention and detection of fraud within an organization

- A. True
- B. False

**Answer:** B

**NEW QUESTION 8**

Which of the following principles of corporate governance pertains to the duty of the organization to act in the best interest of society?

- A. Responsibility
- B. Fairness
- C. Transparency
- D. Accountability

**Answer:** B

**NEW QUESTION 9**

Employees should be kept unaware that management is watching for lifestyle and behavior changes in staff members that might indicate fraud

- A. True
- B. False

**Answer:** A

**NEW QUESTION 10**

Which of the following statements is FALSE regarding an organization's fraud risk management program?

- A. A formal sanctions for intentional noncompliance should be well-publicized throughout the company
- B. There should be measures in place to address failures in the design or operation of anti-fraud controls, as well as fraud occurrences
- C. The program must include mechanisms to monitor and identify breaches in compliance
- D. The responsibility of handling suspected incidences of noncompliance should be delegated to someone outside of the company

**Answer:** A

**NEW QUESTION 10**

The existence of many specialized departments within a company generally decreases the overall risk of fraud within the organization

- A. True
- B. False

**Answer:** A

**NEW QUESTION 15**

A corporation can generally be held criminally responsible for criminal acts committed by its employees even if those in management had no knowledge of or participation in the underlying events.

- A. True
- B. False

**Answer:** A

**NEW QUESTION 18**

Gray, an independent Certified Fraud Examiner (CFE), was hired by Green, president of the ABC Corporation, to investigate allegations that one of ABC's employees is taking kickbacks. During the investigation, Gray learns that Green is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Gray should:

- A. Tell the company's board of directors about Green
- B. Report Green to law enforcement.
- C. Resign from the engagement
- D. Not disclose the information about Green.

**Answer:** B

**NEW QUESTION 22**

Open-door management policies are a fraud prevention mechanism that addresses which leg of the Fraud Triangle?

- A. Opportunity
- B. Willingness
- C. Lack of integrity
- D. Pressure

**Answer:** A

**NEW QUESTION 24**

Which of the following is FALSE regarding the fraud risk assessment team?

- A. The team members should have experience in gathering and eliciting information
- B. The team size should be limited to a maximum of three individuals.
- C. The team members might include both internal and external sources
- D. The team should consist of individuals with diverse knowledge, skills, and perspectives.

**Answer:** B

**NEW QUESTION 27**

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance?

- A. Event avoidance

- B. Compliance
- C. Risk tolerance
- D. Review and revision

**Answer:** C

#### NEW QUESTION 29

Independent auditors play a critical role in enhancing the reliability of financial information by financial position and performance in compliance with accepted accounting standards.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 34

Which of the following statements regarding document retention policies (DRPs) is TRUE?

- A. Document retention policies do not need to include protocols for preserving electronic documents as most IT systems automatically preserve copies of such data
- B. When establishing a document retention policy, management should consider any industry-specific rules for documenting and regaining records
- C. An effective document retention policy permits the organization to continue the destruction of documents when faced with potential litigation
- D. All of the above

**Answer:** D

#### NEW QUESTION 39

Which of the following is NOT a responsibility of the organization's board of directors?

- A. Acting as guardians of the organization's resources and assets
- B. Managing the performance of employees charged with carrying out business activities
- C. Assessing the strategy and underlying purpose of management's decisions and actions
- D. Serving as the middlemen between shareholders and management

**Answer:** D

#### NEW QUESTION 43

Which of the following is an example of organizational crime?

- A. doctor conspiring with patients to file false health care insurance claims
- B. A salesman offering bribes to secure a contract
- C. An accounting clerk forging company checks to herself
- D. Management of several construction companies engaging in bid rigging

**Answer:** C

#### NEW QUESTION 45

Blue, a Certified Fraud Examiner (CFE), had an ethical dilemma regarding the contract governing one of his professional engagements. Which of the following sources of guidance would be considered the lowest level of reference to help Blue in determining the most ethical course of action?

- A. Contract law
- B. The handling of similar situations by individuals he respects
- C. Moral philosophical principles
- D. The ACFE Code of Professional Ethics

**Answer:** B

#### NEW QUESTION 46

According to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework), there are five interrelated components of a company's internal control. Which of the following is NOT among these five components?

- A. Ethical culture
- B. Risk assessment
- C. Control activities
- D. Monitoring

**Answer:** A

#### NEW QUESTION 51

Which of the following is FALSE regarding corporate governance?

- A. Effective corporate governance practices are most necessary in an organization in which the owners are not also the individuals responsible for setting and executing the business strategy
- B. Effective corporate governance practices are considered to be the foundation of fraud risk management.
- C. Corporate governance's primary purpose is to ensure the accuracy of the organization's financial reports

D. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization.

**Answer:** D

#### NEW QUESTION 52

The fact that most groups within groups a society have the same ideas of right and wrong greatly assists in the ability to determine the correct ethical decision in a given situation.

- A. True
- B. False

**Answer:** B

#### NEW QUESTION 57

According to International Auditing Standard (ISA) 240. the two types of intentional financial statement misstatements that are relevant to the auditor are

- A. Misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets
- B. Misstatements resulting from revenue manipulation and misstatements resulting from expense manipulation
- C. Misstatements affecting the income statement and misstatements affecting the balance sheet
- D. Immaterial misstatements and material misstatements

**Answer:** C

#### NEW QUESTION 61

Which of the following is NOT explicitly prohibited by the ACFE Code of Professional Ethics?

- A. Participating in an activity where there is an undisclosed conflict of interest
- B. Engaging in behavior that is against the law
- C. Drawing conclusions based upon evidence
- D. Acting in a way that could be deemed unethical by the industry

**Answer:** C

#### NEW QUESTION 63

Which of the following is NOT a purpose served by a professional organization's code of conduct?

- A. It provides more direct solutions to professional ethical dilemmas than might exist under general ethical principles
- B. It serves as a reference and benchmark for ethical guidance
- C. It provides clear answers to all ethical dilemmas the organization's members might face
- D. It facilitates practical enforcement and profession-wide internal discipline

**Answer:** B

#### NEW QUESTION 68

According to Silk and Vogel's research, business leaders rationalize legal violations by asserting that the damage done by the violations is diffused among a large number of parties.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 72

Which of the following statements is FALSE?

- A. Controls do little good in preventing theft and fraud if those at risk do not know of their presence
- B. Most experts agree that it is harder to detect frauds than to prevent them
- C. Conducting covert audits is among the most effective fraud prevention methods
- D. Educating employees about company hotlines and reporting programs increases their perception of detection

**Answer:** A

#### NEW QUESTION 74

Which of the following would most likely be a violation of the ACFE Code of Professional Ethics?

- A. Susan, a CFE was hired by a client to conduct a fraud examination but found nothing amiss A year later, she received a legal order from the local prosecutor's office to provide the client's file Susan complied with the court order, even though she did not have the client's authorization to do so
- B. Green, a CF
- C. uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigating
- D. In his final report to management
- E. Green included information about the deficiencies even though they were unrelated to the situation he was hired to investigate.
- F. Stephanie, a CF
- G. accepted a fraud examination assignment and then instructed a lower-level employee to assess the company's cash records for signs of fraud She took his word when he said there was no evidence of wrongdoing and ended up failing to uncover a very costly fraud scheme.
- H. All of the above are violations

**Answer:** C

**NEW QUESTION 76**

Which of the following is NOT an effective way to help prevent fraud through the organization's performance measurement and management programs?

- A. Establishing well-defined job descriptions to facilitate performance evaluations
- B. Evaluating employee performance based solely on productivity and profit
- C. Tying employee compensation to reasonable organizational performance goals
- D. Providing regular training to ensure that all employees are sufficiently prepared to perform their tasks

**Answer:** B

**NEW QUESTION 77**

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