

CHAPTER 1

Module 1

1. Which of the following is NOT one of the four essential elements of fraud under common law?
 - A. A material false statement
 - B. Reliance on the false statement by the victim
 - C. Knowledge that the statement was false when it was spoken
 - D. Use of email, wire, or telephone with a criminal intent to deceive
2. The “felonious stealing, taking and carrying, leading, riding, or driving away with another’s property, with the intent to convert it or deprive the owner thereof” is the legal definition of:
 - A. Embezzlement
 - B. Tort
 - C. Larceny
 - D. Fraud
3. A fiduciary is someone who:
 - A. Swears an oath before taking office
 - B. Acts for the benefit of another
 - C. Betrays the trust of another
 - D. Controls access to an organization’s cash or assets
4. An unauthorized assumption and exercise of the right of ownership over goods or personal chattels belonging to another, to the alteration of their condition or the exclusion of the owner’s rights is the definition of:
 - A. Collusion
 - B. Concealment
 - C. Capital misappropriation
 - D. Conversion
5. The intentional, deliberate misstatement, or omission of material facts or accounting data that is misleading and, when considered with all the information made available, that would cause the reader to change or alter his or her judgment or decision is defined by the Association of Certified Fraud Examiners as:
 - A. Financial statement fraud
 - B. Financial statement misstatement
 - C. Financial statement concealment
 - D. Financial statement re-statement

6. Which of the following is an example of financial statement and reporting fraud?
- A. Failing to post audit results on the company's website
 - B. Debt ratio is materially higher than industry standards
 - C. [Improper timing of revenue and expense recognition](#)
 - D. Net income for any quarterly filing is 17% or more below analyst predictions
7. The essential characteristics of financial statement fraud are:
- A. The misstatement is material and intentional and the users of the financial statements are investors in publicly traded companies.
 - B. This misstatement is material and intentional and the preparers of the financial statements have a fiduciary obligation to the organization.
 - C. The misstatement is material and intentional and the preparers of the financial statements fail to report the misstatement to the SEC or other applicable authority.
 - D. [The misstatement is material and intentional and the users of the financial statements have been misled.](#)
8. As a result of the Sarbanes-Oxley Act (2002), which of the following became part of the business landscape?
- A. [Assessment of internal controls, preservation of evidence, whistleblower protection and increased penalties for securities fraud](#)
 - B. Mandatory separation of duties, two-factor authentication for online transactions, and prohibition of fraudulent financial reporting
 - C. Mandatory quarterly reporting of shell company beneficial ownership, mandatory criminal background checks on all publicly traded company officers and directors, and annual review of internal controls by the SEC
 - D. Auditing firm competence certification, annual disclosure of conflicts of interest by the board of directors, prohibition of illegal gratuities and penalties for whistleblowers
9. The occupational fraud and abuse classification system (fraud tree) arranges organizational frauds in which three categories?
- A. The act, concealment, and conversion
 - B. Existence of a fiduciary relationship, breach of duty, harm to the plaintiff or benefit to the fiduciary
 - C. [Asset misappropriation, corruption, and financial statement fraud](#)
 - D. Incentive, opportunity, and rationalization.
10. Internal fraud committed by one or more employees of an organization is more commonly referred to as:
- A. Fiduciary breach and embezzlement
 - B. Insider trading and market timing

- C. Occupational fraud and abuse
 - D. Check tampering and billing schemes
11. The approach to investigating fraud recommended by the text:
- A. Identify the specific law that was violated
 - B. Examine relevant evidence with an eye toward demonstrating three attributes of fraud
 - C. Defer decisions that are suited to an attorney's expertise
 - D. Provide reasonable evidence in support of any opinion of guilt
12. The three attributes of a fraud are:
- A. The scheme or fraud act, the concealment activity, and the conversion or benefit.
 - B. The motive, rationalization and opportunity.
 - C. The intent, the planning, and the execution of a fraudulent act.
 - D. Asset misappropriations, corruption, and financial statement fraud and other fraudulent statements.
13. Who said, "White collar criminals consider your humanity as a weakness to be exploited ..."?
- A. Dr. Joseph T. Wells
 - B. Sherron Watkins
 - C. Sam E. Antar
 - D. Andrew Fastow

Module 2

14. Forensic accounting is the application of financial principles and theories to facts or hypotheses in a legal dispute and consists of two primary functions:
- A. Litigation advisory services and investigative services
 - B. Expressing an opinion of guilt or innocence in court regarding audit results and documenting the steps taken to reach that opinion
 - C. Subjecting accounting data to a Benford Analysis and explaining the results to a judge or jury
 - D. Providing courtroom testimony and administrative technical guidance to attorneys
15. Forensic and Valuation Services (FVS) professionals can expect that:
- A. Their opinion will be carefully noted in court.
 - B. The attorney for opposing counsel to defer to the FVS professional's expert opinion on matters pertaining to forensic accounting.
 - C. Their work will be carefully scrutinized by the opposing side and that engagements are adversarial in nature.

- D. Mediation, arbitration, and negotiations are directed by FVS professionals.
16. Which of the following is NOT typical of forensic and litigation advisory services?
- A. Cost and lost profits associated with construction delays.
 - B. Divorce and matrimonial issues.
 - C. Environmental issues.
 - D. Stating an expert opinion about the guilt or innocence of a plaintiff or defendant in a court of law.

Module 3

17. Forensic accounting and fraud examination require at least three major skill types:
- A. Inquisitive, persuasive, and authoritative
 - B. Equanimity, objectivity, and a commitment to excellence
 - C. Technical competence, investigative, and communication
 - D. Specialization in law or accounting, experience, and ongoing professional development

Module 4

18. Under current auditing standards, the auditor is required to:
- A. Undertake a fraud-risk assessment but not for planning and performing auditing procedures to detect immaterial misstatements.
 - B. Undertake a fraud-risk assessment to include planning and performing auditing procedures to detect immaterial misstatements.
 - C. Undertake a fraud-risk assessment but not for planning and performing auditing procedures to detect immaterial misstatements unless such misstatements are caused by fraud (rather than error).
 - D. Undertake a fraud-risk assessment to include planning and performing auditing procedures to detect immaterial misstatements whether caused by fraud or error.
19. The interrelationship among auditing, fraud examination, and forensic accounting is dynamic and changes over time because of:
- A. the Internet and other technological advances
 - B. high profile fraud cases such as Enron, Tyco, and WorldCom
 - C. emerging research by the ACFE which casts doubts on previously existing theories of criminality
 - D. political, social, and cultural pressures.
20. Fraud examination is the _____ of resolving allegations of fraud from tips, complaints, or accounting clues.

- A. Tradecraft
- B. Art and science
- C. Discipline
- D. Accounting technique

Module 5

21. If a company generates \$12,000,000 in annual sales and has an operating margin of 5%, how many additional dollars in sales would it need to generate to make up for fraud losses of \$180,000?
- A. \$3,600,000
 - B. \$360,000
 - C. \$180,000
 - D. \$1,800,000
22. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, median fraud losses are the highest in cases of:
- A. Asset misappropriation
 - B. Corruption
 - C. Financial reporting fraud
 - D. Insider trading
23. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, what kind of fraud scheme resulted in the greatest percentage of cases?
- A. Billing
 - B. Check tampering
 - C. Expense reimbursements
 - D. Skimming
24. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, what is the median loss for schemes that ran 19-24 months in duration?
- A. \$178,000
 - B. \$100,000
 - C. \$150,000
 - D. \$45,000
25. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, what percentage of asset misappropriation cases involved the creation of fraudulent physical documents?
- A. 60.7%
 - B. 49.3%

- C. 52.9%
D. 42.2%
26. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, _____ remain the most frequent means by which occupational fraud is detected.
- A. Internal audits
B. Management reviews
C. Tips
D. Account reconciliations
27. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, the largest source of tips that fraud is occurring comes from:
- A. Customers
B. Vendors
C. Shareholders
D. Employees
28. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, _____ employees caused median losses that were more than twice as large as those of _____ employees.
- A. Male; female
B. Female; male
C. Hourly; salaried
D. Salaried; hourly
29. When it comes to fraud loss amounts in organizations, the data shows that there is a direct correlation between _____ loss and _____.
- A. Average; perpetrator's intelligence
B. Average; perpetrator's position
C. Median; perpetrator's intelligence
D. Median; perpetrator's position
30. Although most cases in the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse* involved a single perpetrator, when two or more persons conspired, the median loss was more than _____ times higher.
- A. Two
B. Seven
C. Nine
D. Four

31. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, survey respondents were presented with a list of 17 common behavioral red flags associated with occupational fraud and asked to identify which, if any, of these warning signs had been displayed by the perpetrator before the fraud was detected. Rank the presence of the following four red flags in order of their prevalence from highest to lowest percentage of cases in which they were identified.
- A. Living beyond means, financial difficulties, past-employment related problems, excessive pressure from within organization
 - B. Living beyond means, financial difficulties, wheeler-dealer attitude, unusually close association with vendor/customer
 - C. Living beyond means, financial difficulties, addiction problems, divorce/family problems
 - D. Living beyond means, financial difficulties, social isolation, complained about inadequate pay
32. According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, what percent of cases were perpetrated in companies with fewer than 100 employees?
- A. 72.8%
 - B. 12.8%
 - C. 30.1%
 - D. 49.7%
33. Antifraud professionals logically conclude that small organizations are particularly vulnerable to occupational fraud and abuse. The results from fraud surveys bear this out: losses in the smallest companies were comparable to or greater than those in organizations with the largest number of employees. It is suspected that this phenomenon exists for two reasons.
- A. Smaller businesses have fewer divisions of responsibility and there is a greater degree of trust where people know one another personally.
 - B. Smaller businesses employ fewer highly trained business managers and employees are less supervised.
 - C. Smaller businesses are more mission driven by nature and less inclined to formally orient new employees to their responsibilities.
 - D. Smaller businesses employ more people with a wheeler-dealer mindset and don't solicit competitive bids as frequently.
34. Which three antifraud measures are associated with the largest reduction in median losses (though not among the most commonly implemented antifraud controls)?
- A. Proactive data monitoring/analysis, management review, surprise audits
 - B. Proactive data monitoring/analysis, management review, fraud training for employees
 - C. Proactive data monitoring/analysis, management review, hotline

- D. Proactive data monitoring/analysis, management review, code of conduct
35. 29.3% of respondents to the 2016 ACFE survey cited a lack of _____ as the victim organizations' primary issue that contributed to the fraudster's ability to perpetrate the scheme.
- A. Management review
 - B. Amoral corporate culture
 - C. Employee fraud education
 - D. **Internal controls**
36. A common complaint among those who investigate fraud is that organizations and law enforcement _____.
- A. Fail to understand the many ways in which fraud and other white-collar fraud can be perpetrated
 - B. Do not keep pace with the growing sophistication of fraud and other white-collar offenses
 - C. **Do not do enough to punish fraud and other white-collar offenses**
 - D. Are overwhelmed with other concerns to the extent that fraud and other white-collar offenses are regarded as inconsequential in the grand scheme of things.
37. Regarding criminal prosecutions of occupational fraud and their outcomes, although the percentage of cases referred to prosecution _____ gradually from the ACFE's 2012 to the 2016 reports, the percentage of cases that prosecutors successfully pursued _____.
- A. **Decreased; increased**
 - B. Increased; decreased
 - C. Decreased; decreased
 - D. Increased; increased
38. One goal of the ACFE survey was to try to determine why organizations frequently decline to take legal action against fraudsters. In cases where no legal action was taken, the survey provided respondents with a list of commonly cited explanations and asked them to mark any that applied to their case. Which of the following was NOT one of the explanations cited by the survey's participants?
- A. Fear of bad publicity
 - B. Internal discipline sufficient
 - C. Lack of evidence
 - D. **Credibility compromise**

Module 6

39. Given that occupational fraudsters do not have distinguishing outward characteristics to identify them as such, the most effective way to catch a fraudster is to:
- A. Set aside professional skepticism
 - B. Rely on your own value system
 - C. [Think like one](#)
 - D. Accept evidence without being critical of it
40. Professional skepticism can be broken into three attributes. Which one of the following is NOT one of those three attributes?
- A. A commitment to persuasive evidence
 - B. [A willingness to give others a presumption of goodwill until they prove otherwise](#)
 - C. A questioning mind and a critical assessment of the evidence
 - D. A recognition that the plaintiff and/or the defendant may be masking the true underlying story
41. During the course of an investigation, you will encounter “loose threads” or “red flags” such as accounting anomalies. When encountering such anomalies, the fraud professional should:
- A. Evaluate any personal biases that cause you to suspect fraud
 - B. Assume that it probably indicates dishonest conduct by someone in the organization
 - C. [Pull on it and see what happens](#)
 - D. Recognize that its mere existence is very likely proof of fraud
42. One of the best ways to ruin an investigation, fail to gain a conviction, or lose a civil case, is to:
- A. Take disparate pieces of financial and non-financial data to tell a story of who, what, when, where, how, and why
 - B. [Base investigative conclusions on logic and arguments that the defendant is a “bad person”](#)
 - C. Connect the dots in a case consistent with the investigator’s interpretation of the evidence
 - D. Excessively rely on evidence, especially when the plaintiff has a clear track record of ethical conduct or is an upstanding community leader
43. To prove fraud, the investigator has to deal with the issue of:
- A. Professional skepticism
 - B. Prior bad acts
 - C. [Intent](#)
 - D. Specific laws that were broken
44. The triangle of fraud action is composed of which three elements:

- A. Incentive, opportunity, rationalization
 - B. Surveillance, invigilation, documentation
 - C. Devise a scheme, execute it, launder the proceeds
 - D. [Act, concealment, conversion](#)
45. In most occupational fraud cases, it is _____ that there will be direct evidence of the crime.
- A. Likely
 - B. [Unlikely](#)
 - C. Certain
 - D. Impossible
46. You are a fraud examiner or forensic accountant that is about to conclude an investigation. You have gathered evidence that will allow you to compellingly connect the who, what, when, where, and why dots in court. You are also reasonably certain there is additional evidence that will support your conclusions, but you have been unable to find any. In the world of fraud investigations, moving forward without such evidence is:
- A. Not ethical
 - B. Not lawful
 - C. [Not unusual](#)
 - D. Not in conformity with ACFE investigative standards
47. Using the fraud theory approach to investigate a case, which step should be your first in an investigation?
- A. Create hypotheses
 - B. Draw conclusions
 - C. [Gather related data/evidence](#)
 - D. Identify a specific law or laws that may have been broken
48. When using a hypotheses-evidence matrix to evaluate evidence in support of any particular hypothesis in a fraud case, it is crucial to understand that:
- A. [We can never prove any hypothesis](#)
 - B. We can never disprove intent
 - C. We shouldn't become distracted by the "direction" of evidence
 - D. We shouldn't become distracted by evidence that seems to eliminate alternative hypotheses
49. There are essentially three tools available to fraud examiners, regardless of the nature of the fraud examination or forensic accounting investigation. Which of the following is NOT one of these three tools?

- A. Skill in examining financial statement, books and records, and supporting documents
 - B. Interviewing skills
 - C. [Preserving a crime scene from contamination](#)
 - D. Observation (behavior, displays of wealth, specific offenses)
50. Using non-financial data to corroborate financial information is:
- A. [Powerful and its value cannot be overstated](#)
 - B. Amateurish and used primarily by inexperienced investigators
 - C. Dangerous because it is usually misunderstood by juries
 - D. Acceptable on an extremely limited basis
51. Link charts, flow charts, commodity and money flow diagrams, timelines are:
- A. Popular in the movies, but rarely used in the real world of fraud investigation
 - B. Useful during the hypothesis stage of an investigation but generally not beyond it
 - C. [Important as both investigative tools and communication tools](#)
 - D. Generally make complicated material less understandable because they leave too much room for speculation and interpretation compared to actual data

Module 7

52. _____ is the totality of circumstances that lead a reasonable, professionally trained, and prudent individual to believe that a fraud has occurred, is occurring, and/or will occur. All fraud examinations must be based on it.
- A. Postulation
 - B. [Predication](#)
 - C. Proposition
 - D. Premise