

Forensic Accounting (Rufus)

Chapter 1 Introduction to the World of Forensic Accounting

1.1 True/False Questions

1) Forensic accounting can be defined as the application of financial facts to legal situations.

Answer: TRUE

Explanation: Forensic accounting can be defined as the application of financial facts to legal situations.

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

2) "Trust, but verify" is the general rule while exercising professional skepticism.

Answer: TRUE

Explanation: Forensic accountants must exercise a healthy dose of professional skepticism. This reflects a proactive, questioning mindset, where nothing is as it seems and "trust, but verify" is the general rule.

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

3) Fraud detection and fraud examination describes reactive strategies while fraud deterrence describes proactive strategies.

Answer: TRUE

Explanation: Fraud deterrence differs from fraud detection and fraud examination in that it describes proactive (rather than reactive) strategies.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

4) The need or motive of the fraud is not the immediate challenge of a fraud examination.

Answer: TRUE

Explanation: The primary focus of a fraud examination is to determine the following elements of the fraud: who committed the fraud, how they committed it, when it was committed, how much was taken, and who else was involved. The why (need or motive), although important to the overall understanding of fraud, is not the immediate challenge.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

5) Fraud deterrence strategies include statistical analysis.

Answer: FALSE

Explanation: Statistical analysis is a fraud detection strategy.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

6) Fact witnesses can express opinions but expert witnesses cannot.

Answer: FALSE

Explanation: Expert witnesses differ from fact witnesses in that they can express opinions.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

7) The accounting process has three basic steps: recording, classifying, and summarizing.

Answer: TRUE

Explanation: The accounting process has three basic steps: recording, classifying, and summarizing.

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

8) The first line of defense against accounting failures within an organization is the external auditor.

Answer: FALSE

Explanation: The first line of defense against accounting failures within an organization is the internal auditor.

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

9) Deductive reasoning draws conclusions from patterns.

Answer: FALSE

Explanation: Inductive reasoning draws conclusions from patterns.

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

10) Expert reports prepared in the course of litigation are exempt from professional report writing standards.

Answer: TRUE

Explanation: Expert reports prepared in the course of litigation are exempt from professional report writing standards.

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

1.2 Multiple-Choice Questions

1) Which of the following best describes the term forensic accounting?

- A) It is a discipline that deals with the preparation and analysis of financial statements of companies.
- B) It is the use of accounting principles to consolidate financial statements of foreign corporations.
- C) It is a discipline that primarily deals with methods of preparation of financial budgets of a company.
- D) It is the use of accounting theories, principles, or analyses in a legal action, often through expert witness testimony.

Answer: D

Explanation: D) Forensic accounting can be defined as the use of accounting theories, principles, or analyses in a legal action, often through expert witness testimony. In other words, it is the application of financial facts to legal situations.

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

2) Which of the following is recognized as the first forensic accountant?

- A) Frank J. Wilson
- B) Maurice Peloubet
- C) Alphonse Capone
- D) Leslie A. Shuway

Answer: A

Explanation: A) The term forensic accountant was first used by Maurice Peloubet in 1946 in the Journal of Accountancy to recognize and celebrate IRS Special Agent Frank J. Wilson as the man who brought down Capone.

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

3) Which of the following statement is true of forensic accountants?

- A) They should have a reactive mindset.
- B) They should focus their investigations on numbers rather than looking beyond them.
- C) They should embrace systematic thinking.
- D) They must trust their preexisting judgments.

Answer: C

Explanation: C) Forensic accountants need to be intellectually curious. In addition to this, they must embrace systematic thinking and exercise a healthy dose of professional skepticism.

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

4) Which of the following shows Paul, a forensic accountant, indicating an intellectually curious mindset?

- A) He relies on the reports given by the management to form an opinion on the financial viability of the business.
- B) He bases his judgments on the existing industry standards and not on the environment in which the organization operates.
- C) He gives room for the possibility that mistakes maybe attributable to negligence.
- D) He questions his understanding of an issue, in spite of being an expert in the field.

Answer: D

Explanation: D) An intellectually curious individual possesses a restless mind-one that is never satisfied with his or her understanding of an issue, regardless of experience and expertise. Moreover, forensic accountants must have the instinct to explore problems that challenge conventional wisdom.

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

5) Which of the following situations shows Kelcie, a forensic accountant, exercising professional skepticism?

- A) Kelcie argues that the immediate previous year's records serve as a better basis for the investigation than the earlier years.
- B) Kelcie believes that the reputation of the external auditor is an indicator of the reliability of the audit report.
- C) Kelcie believes in the phrase "guilty, until proved otherwise" and does not presume innocence until she has reasonable doubt.
- D) Kelcie verifies the reports given by the internal auditor against available evidence before using it in her reports.

Answer: D

Explanation: D) Forensic accountants must exercise a healthy dose of professional skepticism. This reflects a proactive, questioning mindset, where nothing is as it seems and "trust, but verify" is the general rule. Kelcie follows this general rule, which indicates professional skepticism.

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

6) Which of the following statements is true of forensic accounting investigative services?

- A) These are provided in connection with actual, pending, or potential legal or regulatory proceedings-criminal or civil.
- B) These are only performed after a crime has occurred.
- C) These include fraud detection, fraud examination, and fraud deterrence.
- D) These generally involve actual or threatened litigation.

Answer: C

Explanation: C) Investigative services provided by forensic accountants are generally related to corporate investigations, which are initiated for the purpose of protecting the organization and its assets from internal or external threats.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

7) Which of the following is a technique of fraud detection?

- A) perception of detection
- B) analysis of financial statement
- C) preemployment screening
- D) evaluation of hiring practices

Answer: B

Explanation: B) Fraud detection includes a variety of strategies, such as internal control procedures, statistical analysis, financial statements analysis, and anonymous reporting channels (such as hotlines).

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

8) Which of the following is NOT the primary focus of a fraud examination by a forensic accountant?

- A) Who committed the fraud?
- B) How was the fraud committed?
- C) When was the fraud committed?
- D) Why was the fraud committed?

Answer: D

Explanation: D) The primary focus of a fraud examination is to determine the following elements of the fraud: who committed the fraud, how they committed it (the fraud scheme), when it was committed (time frame and duration), how much was taken, and who else was involved. The why (need or motive), although important to our overall understanding of fraud, is not the immediate challenge.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

- 9) Which of the following is a difference between fraud examination and fraud detection?
- A) Fraud examination is done before a fraud has been committed, whereas fraud detection is done after a fraud has been committed.
 - B) Fraud examination is the investigation specific allegations or suspicions of fraud, whereas fraud detection is the identification of an error or irregularity after it has occurred.
 - C) Fraud examination focuses on the time and duration of the fraud, whereas fraud detection focuses on the need or motive of the fraud.
 - D) Fraud examination adapts proactive strategies, whereas fraud detection adapts reactive strategies.

Answer: B

Explanation: B) Fraud detection is simply the discovery of fraud. Detective procedures are designed to identify an error or irregularity after it has occurred. A fraud examination's purpose is to investigate specific allegations or suspicions of fraud.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

- 10) Which of the following is most likely a short-term strategy for fraud deterrence?

- A) financial statement analysis
- B) employee invigilation
- C) time series analysis
- D) evaluation of hiring practices

Answer: D

Explanation: D) Examples of short-term (or procedural) strategies include evaluation of hiring practices, internal controls, and performance monitoring.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

- 11) Which of the following is a proactive employee strategy of fraud deterrence?

- A) perception of detection
- B) analysis of financial statement
- C) analysis of statistical data
- D) employee contracts

Answer: A

Explanation: A) Proactive employee strategies include preemployment screening, employee training, employee monitoring, perception of detection (through internal controls and external audits), and organizational culture.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

12) Which of the following forensic accounting services primarily focuses on determining who committed the fraud, the scheme of the fraud, the time frame and duration, how much was taken, and who else was involved?

- A) fraud detection
- B) fraud deterrence
- C) fraud examination
- D) fraud anticipation

Answer: C

Explanation: C) The primary focus of a fraud examination is to determine the following elements of the fraud: who committed the fraud, how they committed it (the fraud scheme), when it was committed (time frame and duration), how much was taken, and who else was involved.

Diff: 2

LO: 1-2

AACSB: Reflective Thinking

13) Which of the following forensic accounting investigation services includes proactive employee strategies such as preemployment screening, employee training, and employee monitoring strategies?

- A) fraud detection
- B) fraud deterrence
- C) fraud examination
- D) fraud anticipation

Answer: B

Explanation: B) Because fraud requires individual actors (the offenders), a reasonable starting point for fraud deterrence is employee relations. Proactive employee strategies include preemployment screening, employee training, employee monitoring, perception of detection (through internal controls and external audits), and organizational culture.

Diff: 2

LO: 1-2

AACSB: Reflective Thinking

14) Which of the following best describes a whistle blower complaint?

- A) It is an informal disclosure of personal issues of an employee with other employees within an organization.
- B) It is a disclosure by a person of wrong doing or misconduct within an organization.
- C) It is an annual complaint forum designed to discuss issues of an organization.
- D) It is a complaint raised by the SEC toward an organization.

Answer: B

Explanation: B) A whistleblower complaint is a disclosure by a person (usually an employee) of wrongdoing or misconduct within the organization.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

15) Which of the following is the most significant practice component of forensic accounting As indicated by the results of a 2011 AICPA survey?

- A) bankruptcy
- B) business valuations
- C) insolvency and reorganization
- D) computer forensic analysis

Answer: B

Explanation: B) The results of a 2011 American Institute of Certified Public Accountants survey indicate that business valuations are by far the most significant practice component.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

16) Which of the following are the two major components of forensic accounting services?

- A) fraud detection services and fraud deterrence services
- B) expert services and consulting services
- C) investigative services and litigation services
- D) fraud examination services and business valuations services

Answer: C

Explanation: C) Forensic accounting services are commonly divided into two major components: investigative services and litigation services.

Diff: 1

LO: 1-2

AACSB: Analytical Thinking

17) Which of the following is a difference between an external auditor and a forensic accountant?

- A) An external auditor captures and records all economic transactions of the organization, whereas a forensic accountant ensures compliance with policy and procedures.
- B) An external auditor manages the organization's accounting and internal control system, whereas a forensic accountant validates effectiveness of controls in various processes or areas of the organization.
- C) An external auditor adds credibility to reported financial information, whereas a forensic accountant provides assurance that management is adequately identifying and mitigating risks.
- D) An external auditor forms an opinion on the overall financial statements taken as a whole, whereas a forensic accountant addresses a specific question/issue.

Answer: D

Explanation: D) An external auditor forms an opinion on the overall financial statements taken as a whole, whereas a forensic accountant addresses a specific question/issue.

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

18) Which of the following is a difference between an internal auditor and an external auditor?

- A) An internal auditor conducts the audit because a deficiency has been identified, whereas an external auditor conducts audits on a recurring basis.
- B) An internal auditor manages accounting and internal control of an organization, whereas an external auditor examines the financial data of an organization.
- C) An internal auditor's reports are used by the users of the financial statements, whereas the external auditor's reports are used by the management and internal auditor.
- D) An internal auditor reports on the level of compliance with a company's internal policies, whereas the external auditor reports on the level of compliance with external laws and regulations.

Answer: A

Explanation: A) The internal auditor conducts an audit according to a plan or because a deficiency has been identified. An external auditor conducts an audit on a recurring basis.

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

19) Which of the following is true of transactional accountants?

- A) They evaluate the internal control systems of an organization and test the accounts to ensure that all economic events are recorded and reported properly.
- B) They form and express an opinion as to whether an organization's financial statements, taken as a whole, reflect its financial position on a given date and the results of its operations for a given period.
- C) They report on the adequacy of internal controls, the accuracy and propriety of transactions.
- D) They employ generally accepted accounting principles (GAAP) to process information useful in decision making.

Answer: D

Explanation: D) Accountants working for an organization employ generally accepted accounting principles (GAAP) to process information useful in decision making.

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

20) The internal auditor's functions exist to support the other three representatives of an organization:

- A) the board of directors, executive management, and the external auditor.
- B) the board of directors, executive management, and the transactional accountant.
- C) the transactional accountant, board of directors, and the external auditor.
- D) the transactional accountant, executive management, and the external auditor.

Answer: A

Explanation: A) The internal auditor's function is to report on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with a company's internal policies as well as external laws and regulations. This function exists to support the other three representatives of an organization: the board of directors (BOD), executive management, and the external auditor.

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

21) Which of the following is true of an internal auditor?

- A) The responsibilities of an internal auditor extend beyond the processing functions of a transactional accountant.
- B) A qualified opinion from the internal auditor adds credibility to the organization and its financial statements.
- C) The internal auditor issues reports that are used by the stakeholders and other users to understand the financial statements of an organization.
- D) The budgets, cash flow statements, income statement, and balance sheet of an organization is prepared by the internal auditor.

Answer: A

Explanation: A) Aside from management, the first line of defense against accounting failures within an organization is the internal auditor, whose responsibilities extend beyond the processing functions of a transactional accountant.

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

22) The purpose of the _____ is to form and express an opinion as to whether the organization's financial statements, taken as a whole, reflect its financial position on a given date and the results of its operations for a given period.

- A) forensic accountant
- B) external auditor
- C) transactional accountant
- D) internal auditor

Answer: B

Explanation: B) The purpose of the external auditor is to form and express an opinion as to whether the organization's financial statements, taken as a whole, reflect its financial position on a given date and the results of its operations for a given period.

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

23) A _____ records, classifies and summarizes the financial transactions a company.

- A) transactional accountant
- B) internal auditor
- C) external auditor
- D) management accountant

Answer: A

Explanation: A) Accountants working for an organization employ generally accepted accounting principles (GAAP) to process information useful in decision making. The accounting process has three basic steps: recording, classifying, and summarizing. To facilitate this process, transactional accountants require core accounting skills.

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

24) Which of the following exemplifies the role of an internal auditor?

- A) Chloe classifies the transactions of Pole Star, Inc. and records it in the books of accounts.
- B) Chloe reports on the sufficiency of the insurance policies taken out on the assets of Pole Star, Inc.
- C) Chloe reports on the financial position of Pole Star, Inc. at the end of the accounting period.
- D) Chloe assists the management of Pole Star, Inc. to determine the taxes and tax benefits..

Answer: B

Explanation: B) The internal auditor's function is to report on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with a company's internal policies as well as external laws and regulations.

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

25) Which of the following exemplifies the role of an external auditor?

- A) Victor recorded the transactions entered in to by Trident, Inc. in the proper accounting period.
- B) Victor prepared the annual budget of Trident, Inc., and he also helped the department heads prepare budgets for each department.
- C) Victor evaluated the internal controls of Trident, Inc. and reported on the financial position as at the year end.
- D) Victor conducted an investigation into the affairs of Trident, Inc. to allay suspicions of mismanagement of funds.

Answer: C

Explanation: C) External auditors, who work for CPA firms, are hired by organizations to evaluate their internal control systems and test their transactions and accounts to ensure that all economic events are recorded and reported in the proper accounting period.

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

26) Which of the following is the objective of an external auditor?

- A) form an opinion on the overall financial statements taken as a whole
- B) capture and record all economic transactions of the organization
- C) ensure compliance with policy and procedures; offer recommendations for improvement of internal controls
- D) address a specific question/issue

Answer: A

Explanation: A) The purpose of the external auditor is to form and express an opinion as to whether the organization's financial statements, taken as a whole, reflect its financial position on a given date and the results of its operations for a given period.

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

27) Which of the following defines the term deductive reasoning?

- A) It is defined as reasoning from the general to the specific.
- B) It is defined as reasoning from a logically valid conclusion to the premises.
- C) It is defined as generalizing results to arrive at a valid conclusion.
- D) It is defined as reasoning from particular facts to general conclusions.

Answer: A

Explanation: A) Deductive reasoning is defined as "reasoning from the general to the specific, or from the premises to a logically valid conclusion."

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

28) Which of the following is a process flowing from a set of specific observations, facts, or data to a working hypothesis and then a general conclusion?

- A) intuitive reasoning
- B) inductive reasoning
- C) deductive reasoning
- D) critical reasoning

Answer: B

Explanation: B) In contrast to deductive reasoning, inductive reasoning draws conclusions from patterns. The inductive reasoning process flows from a set of specific observations, facts, or data to a working hypothesis and then a general conclusion (that is, bottom up).

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

29) All kids like Jelly Bean. Sam is a kid. Therefore, we can conclude that Sam likes Jelly Bean. Which type of reasoning does this indicate?

- A) intuitive reasoning
- B) inductive reasoning
- C) deductive reasoning
- D) critical reasoning

Answer: C

Explanation: C) Deductive reasoning is defined as "reasoning from the general to the specific, or from the premises to a logically valid conclusion." In other words, identify two or more general premises (either known or assumed to be true) and then apply these accepted truths to a specific situation. The major premise is "All kids like Jelly bean." The minor premise is "Sam is a kid." The conclusion is "Sam likes Jelly bean."

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

30) All clouds are white. Some clouds are round. Which of the following can be concluded using deductive reasoning?

- A) Some clouds are white.
- B) No conclusion can be obtained.
- C) White clouds are round.
- D) Round clouds are white.

Answer: D

Explanation: D) In deductive reasoning, identify two or more general premises and then apply these accepted truths to a specific situation. The major premise is "All clouds are white." The minor premise is "Some clouds are round." Since all clouds are white, it can be concluded that round clouds are also white.

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

31) All birds have wings. Kiwis have wings. Which of the following can be concluded using deductive reasoning?

- A) Kiwis are birds.
- B) No conclusion can be obtained.
- C) All birds are Kiwis.
- D) Kiwis can fly.

Answer: B

Explanation: B) In deductive reasoning, identify two or more general premises (either known or assumed to be true) and then apply these accepted truths to a specific situation. In this case, the major premise is "All birds have wings." However, this does not mean that all winged creatures are birds. Hence, the minor premise "Kiwis have wings" cannot lead to the conclusion that kiwis are birds.

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

- 32) Which of the following is a primary responsibility of a testifying expert?
- A) to render an opinion that will assist the judge in understanding the evidence
 - B) to render an opinion that will assist the attorney in advocating for the client
 - C) to render an opinion that will assist the attorney in understanding the evidence
 - D) to render an opinion that will assist the trier of fact in reaching a judgment

Answer: A

Explanation: A) One of the primary responsibilities of a testifying expert is to render an opinion that will assist the trier of fact (judge or jury) in understanding the evidence. To that end, an expert's opinion must be stated in a legally sufficient manner and must be based on reliable facts, data, and methodology.

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

- 33) In 2008, the sales of the Trident Inc. went up by 10% and its stock prices increased by 20%. In 2010, the sales of the Trident Inc. went up by 15% and its stock prices increased by 30%. You conclude that in 2013, since the sales increased by 5%, the stock price will increase by 10%. Which type of reasoning are you using?

- A) deductive reasoning
- B) intuitive reasoning
- C) suggestive reasoning
- D) inductive reasoning

Answer: D

Explanation: D) Inductive reasoning draws conclusions from patterns. The inductive reasoning process flows from a set of specific observations, facts, or data to a working hypothesis and then a general conclusion (that is, bottom up). Here, the pattern in increase in sale along with corresponding increase in stock prices is forming the base for conclusion.

Diff: 3

LO: 1-4

AACSB: Analytical Thinking

- 34) Which of the following represents the relative importance of the three components of oral communication?

- A) body language - 55%, voice tone - 35%, and words - 10%
- B) body language - 30%, voice tone - 50%, and words - 20%
- C) body language - 45%, voice tone - 25%, and words - 30%
- D) body language - 20%, voice tone - 10%, and words - 70%

Answer: A

Explanation: A) The relative importance of the three components of oral communication is: (1) body language, which accounts for roughly 55% of the message; (2) voice tone, which accounts for roughly 35% of the message; and (3) words, which account for only 10% of the message.

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

35) Which of the following organizations provide forensic accounting certifications?

- A) Institute of Certified Cost & Management Accountants
- B) Institute of Management Accountants
- C) American Institute of Certified Public Accountants
- D) Chartered Financial Analyst Institute

Answer: C

Explanation: C) American Institute of Certified Public Accountants provides Accredited in Business Valuation and Certified in Financial Forensics certifications.

Diff: 1

LO: 1-5

AACSB: Analytical Thinking

1.3 Short-Answer Questions

1) Define forensic accounting.

Answer: Forensic accounting is a discipline that is focused on: (1) the prevention, detection, and investigation of both occupational fraud and financial statement fraud; and (2) the rendering of other litigation-support services.

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

2) Apart from fraud-related investigations, what other investigations are forensic accountants commonly engaged in?

Answer: In addition to the fraud-related investigations previously discussed, forensic accountants are commonly engaged to conduct investigations unrelated to fraud. Examples of such investigations include whistleblower complaints and financial viability concerns. A whistleblower complaint is a disclosure by a person of wrongdoing or misconduct within the organization. Usually, a forensic accountant is utilized when the allegation is considered serious or when the appearance of independence is important. Financial viability investigations include short- or long-term assessments of financial and managerial sustainability or the reasonableness of insurance claims.

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

3) Write a short note on career opportunities for forensic accountants in both the private and public sectors.

Answer: The forensic accounting profession offers great variety of opportunities, including roles for individuals with different skills and talents. The private sector offers many such roles. Various companies and organizations require forensic accountants for the post of internal auditors and compliance officers. CPA firms and consulting firms need highly skilled professionals to play the role of external auditors, valuation analysts, expert witnesses, consulting experts, and fraud investigators. In insurance companies, forensic accountants can use their knowledge to work as claims examiners or fraud investigators. The public sector also offers a wide spectrum of careers to choose from. Forensic accountants can pursue a career in law enforcement (state and federal) as documents examiners, digital analysts, forensic analysts (FBI), or special agents (FBI). Regulatory agencies (for example, Federal Reserve or SEC) require talented professionals to act as financial analysts and examiners. Internal revenue services give scope for careers as tax examiners, tax specialists, tax compliance officers, internal revenue agents, and criminal investigators. Government accountability offices are in need of financial analysts, financial auditors, and criminal investigators.

Diff: 3

LO: 1-6

AACSB: Analytical Thinking

4) Write a short note on value of critical thinking for forensic accountants.

Answer: Critical thinking is a necessary skill for any type of investigation, research, or scientific inquiry. The analytical processes employed by forensic accountants are based on a scientific approach. This involves (1) identifying a question, (2) gathering sufficient relevant data, (3) analyzing the data, (4) drawing conclusions, and (5) communicating results. In this context, critical thinking serves as a guiding frame to preserve the integrity of the scientific process. Various threats to the integrity of this process are manifested in the concept of "blind spots." Blind spots are caused by mistakes in reasoning, human irrationality, biases, distortions, and self-interest. Exercising critical thinking can help in the detection of blind spots.

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

5) List the major areas of the body of knowledge covered in the Certified in Financial Forensics (CFF)

Exam and Accredited in Business Valuation (ABV) Exam.

Answer: Areas covered in CFF Exam:

- 1 - Professional responsibilities and practice management
- 2 - Fundamental forensic knowledge
- 3 - Specialized forensic knowledge, such as fraud, business valuations, computer forensics, and economic damages calculations

Areas covered in ABV Exam:

- 1 - Qualitative and quantitative analysis
- 2 - Valuation analysis
- 3 - Related topics, such as defining the engagement and professional standards

Diff: 1

LO: 1-5

AACSB: Analytical Thinking