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| 1. One way that criminal law differs from civil law is that it:   |  |  |  | | --- | --- | --- | |  | a. | provides remedies for violations of private rights. | |  | b. | must yield a unanimous verdict. | |  | c. | can have a jury of fewer than 12 persons. | |  | d. | allows for various claims in one action. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 2. Which of the following is NOT an element of a Ponzi scheme?   |  |  |  | | --- | --- | --- | |  | a. | Gaining other's confidence. | |  | b. | Promising abnormally high returns. | |  | c. | Collected money is invested. | |  | d. | Investment principle is partially used to make payments to previous investors. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 3. The following are all elements of Title 26, U.S. Code Section 7201 EXCEPT:   |  |  |  | | --- | --- | --- | |  | a. | not reporting bribe income may be grounds for being charged with tax evasion. | |  | b. | filing income tax that excludes income from fraud may be considered an improper tax filing. | |  | c. | bribes paid may be deducted as business expenses. | |  | d. | failure to report income from fraud may be grounds for being charged with tax evasion. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 4. Which one of the following is NOT a characteristic of a criminal proceeding?   |  |  |  | | --- | --- | --- | |  | a. | Deals with offenses against society. | |  | b. | Consequences include restitution and damage payments. | |  | c. | Jury of 12 individuals. | |  | d. | Only one claim may be heard at a time. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 5. Management fraud is often referred to as:   |  |  |  | | --- | --- | --- | |  | a. | stockholder fraud. | |  | b. | financial statement fraud. | |  | c. | employee fraud. | |  | d. | investment fraud. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 6. What is required to prove fraud, as opposed to negligence?   |  |  |  | | --- | --- | --- | |  | a. | Gross error | |  | b. | Intent | |  | c. | Preponderance of the evidence | |  | d. | Confession from the perpetrator |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 7. Which of the following is the most common type of occupational fraud?   |  |  |  | | --- | --- | --- | |  | a. | Financial statement fraud | |  | b. | Mail fraud | |  | c. | Investment fraud | |  | d. | Employee embezzlement |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 8. Which of the following is NOT a characteristic of management fraud?   |  |  |  | | --- | --- | --- | |  | a. | Top management deception. | |  | b. | Manipulation of financial statements. | |  | c. | Kickbacks or bribes. | |  | d. | Pressure to earn year-end bonuses. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 9. Customer fraud includes all of the following EXCEPT:   |  |  |  | | --- | --- | --- | |  | a. | Get something for nothing. | |  | b. | Do not pay for goods purchased. | |  | c. | Fraud perpetrated through collusion between buyers and vendors. | |  | d. | Deceive organization into giving them something they should not. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 10. Which of the following is a common example of vendor fraud?   |  |  |  | | --- | --- | --- | |  | a. | Fraud perpetrated through collusion between buyers and vendors. | |  | b. | Fraud perpetrated by upper management. | |  | c. | The perpetrator physically removes the inventory from the business premises. | |  | d. | A fraud perpetrated through financial statement manipulation. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 11. Government agencies such as the FBI, FDIC, IRS, or various health agencies publish fraud statistics from time to time. Which of the following observations concerning such statistics is true?   |  |  |  | | --- | --- | --- | |  | a. | Generally, their statistics are complete. | |  | b. | Such information is rarely used. | |  | c. | They provide only those statistics related to their jurisdiction. | |  | d. | They usually provide a total picture in the areas for which they have responsibility. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 12. Which legal code makes the bribing of public officials illegal?   |  |  |  | | --- | --- | --- | |  | a. | Title 18, U.S. Code Section 201 | |  | b. | Title 41, U.S. Code Section 51 to 58 | |  | c. | Title 18, U.S. Code Section 1341 | |  | d. | Title 18, U.S. Code Section 1344 |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 13. Fraud has a direct dollar for dollar impact on a company's:   |  |  |  | | --- | --- | --- | |  | a. | Revenues. | |  | b. | Net income. | |  | c. | Profit margin. | |  | d. | Stock price. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 14. Which of the following is NOT a primary reason for increased size and number of frauds?   |  |  |  | | --- | --- | --- | |  | a. | The advent of computers | |  | b. | Complex accounting systems | |  | c. | Increased centralization of businesses | |  | d. | The Internet |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 15. Which among the following frauds is most likely to be a civil charge?   |  |  |  | | --- | --- | --- | |  | a. | Racketeering | |  | b. | Mail fraud | |  | c. | Defamation | |  | d. | Perjury |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 16. The elements of fraud include all of the following EXCEPT:   |  |  |  | | --- | --- | --- | |  | a. | a material point is misrepresented. | |  | b. | the misrepresentation is intentional. | |  | c. | the misrepresentation is known to the victim. | |  | d. | the victim must sustain damages. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 17. The burden of proof in a criminal case:   |  |  |  | | --- | --- | --- | |  | a. | level is beyond a reasonable doubt. | |  | b. | is determined by the majority of the jury members. | |  | c. | level is the preponderance of evidence. | |  | d. | lies with the defendant. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 18. Which of the following statements about criminal and civil cases is correct?   |  |  |  | | --- | --- | --- | |  | a. | The purpose of a criminal case is "to right a wrong", the purpose of civil case is to obtain a remedy. | |  | b. | Jury must have 12 people in civil cases but in criminal cases may consist of fewer than 12 persons. | |  | c. | Both criminal cases and civil cases require a fraud perpetrator to make payments for damages. | |  | d. | Only one claim at a time in civil cases however in criminal cases, various claims may be joined in one action. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 19. How is the confidence element established in a Ponzi scheme?   |  |  |  | | --- | --- | --- | |  | a. | By investing in prime bonds. | |  | b. | By issuing notarized certificates. | |  | c. | By paying returns to investors initially. | |  | d. | By returning money to all investors. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 20. The most common fraud committed on behalf of an organization is:   |  |  |  | | --- | --- | --- | |  | a. | Vendor fraud | |  | b. | Employee embezzlement | |  | c. | Fraudulent financial reporting | |  | d. | Customer fraud |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 21. A company is a victim of a $414 million fraud. At that time its profit margin is 10%. How much additional revenue should the company generate in order to recover the effect on net income?   |  |  |  | | --- | --- | --- | |  | a. | $41.4 million | |  | b. | $414 million | |  | c. | $4.14 billion | |  | d. | $41.4 billion |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 22. Scammers often use their victim’s ethnic identity to gain their trust and then steal their life savings. This is an example of:   |  |  |  | | --- | --- | --- | |  | a. | vendor fraud. | |  | b. | affinity fraud. | |  | c. | embezzlement. | |  | d. | occupational fraud. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 23. The Anti-Kickback Act of 1986 intends to prevent:   |  |  |  | | --- | --- | --- | |  | a. | bribery, by punishing perpetrators with up to 15 years in prison. | |  | b. | any scheme by a contractor to gain the business of a global entity. | |  | c. | the giving or receiving of any thing of value by a subcontractor to a prime contractor in contracts. | |  | d. | the custom of lobbyists to give gifts to influence laws regarding business transactions. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 24. Perpetrators of some fraud schemes often target conspiracy theorists, promising access to the “secret” investments used by the Rothschilds or Saudi royalty and offer triple-digit returns. Such schemes are best described as:   |  |  |  | | --- | --- | --- | |  | a. | Affinity frauds. | |  | b. | Ponzi schemes. | |  | c. | Franchise frauds. | |  | d. | Prime bank schemes. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 25. Who are the primary victims of financial statement fraud?   |  |  |  | | --- | --- | --- | |  | a. | Middle management | |  | b. | Organizations that buy goods or services | |  | c. | Analysts | |  | d. | Stockholders |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 26. Generally applicants for CFE certification should have a minimum of a bachelor’s degree or equivalent from an institution of higher learning. Alternatively if applicants do not have a bachelor’s degree, they may substitute \_\_\_\_\_\_ months of fraud-related professional experience for each year of academic study.   |  |  |  | | --- | --- | --- | |  | a. | 24 | |  | b. | 18 | |  | c. | 15 | |  | d. | 12 | |  | e. | 9 |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 27. The ACFE does NOT include which of the major categories of occupational fraud listed below?   |  |  |  | | --- | --- | --- | |  | a. | asset misappropriations. | |  | b. | corruption. | |  | c. | fraudulent statements. | |  | d. | pension fraud. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 28. What is the most cost-effective way to minimize the cost of fraud?   |  |  |  | | --- | --- | --- | |  | a. | Prevention | |  | b. | Detection | |  | c. | Investigation | |  | d. | Prosecution |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 29. Fraud in companies such as WorldCom, Enron, Waste Management, Sunbeam, Rite-Aid, Phar-Mor, Parmalat, and ZZZZBest are examples of:   |  |  |  | | --- | --- | --- | |  | a. | Customer fraud. | |  | b. | Investment scams. | |  | c. | Vendor fraud. | |  | d. | Management fraud. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 30. Which of the following statements is true?   |  |  |  | | --- | --- | --- | |  | a. | Fraud usually results from unintentional errors. | |  | b. | Fraud is more violent and traumatic than robbery. | |  | c. | Fraud always involves deception, confidence and trickery. | |  | d. | Losses from fraud are less than losses from robbery. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 31. To be successful, plaintiffs in civil cases must prove their case by which of the following?   |  |  |  | | --- | --- | --- | |  | a. | Preponderance of evidence. | |  | b. | Beyond a reasonable doubt. | |  | c. | To a degree of reasonable mitigation. | |  | d. | To the standard of prima facie. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 32. Which of the following is NOT an example of a fraud-fighting career?   |  |  |  | | --- | --- | --- | |  | a. | Working for the criminal investigation division of the IRS. | |  | b. | Serving as an expert witness. | |  | c. | Maintaining the security of public records. | |  | d. | Defending an organization being sued in a civil case. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 33. Which of the following observations concerning occupational fraud is NOT true?   |  |  |  | | --- | --- | --- | |  | a. | It is clandestine. | |  | b. | It is committed for the purpose of direct or indirect financial benefit to the employee. | |  | c. | It usually involves two or more employees. | |  | d. | It costs the employing organization assets, revenues, or reserves. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 34. Which of the following is NOT one of the major types of fraud classification schemes?   |  |  |  | | --- | --- | --- | |  | a. | Employee embezzlement | |  | b. | Government fraud | |  | c. | Investment scams | |  | d. | Customer fraud |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 35. Which of the following frauds is usually the most expensive?   |  |  |  | | --- | --- | --- | |  | a. | Vendor fraud | |  | b. | Customer fraud | |  | c. | Occupational fraud | |  | d. | Financial statement fraud |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 36. Civil claims begin when one party files a complaint against another, usually for the purpose of:   |  |  |  | | --- | --- | --- | |  | a. | having a penalty imposed. | |  | b. | sending the perpetrator to prison. | |  | c. | proving the perpetrator guilty. | |  | d. | being awarded financial restitution. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 37. Employee embezzlement can be direct or indirect. Indirect fraud occurs when:   |  |  |  | | --- | --- | --- | |  | a. | an employee uses company assets to run his/her private business. | |  | b. | employees establish dummy companies and have their employers pay for goods that are not actually delivered. | |  | c. | an employee receives a kickback from a vendor. | |  | d. | an employee steals company cash, inventory, tools, or other assets. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 38. Telemarketing fraud usually falls into this category.   |  |  |  | | --- | --- | --- | |  | a. | Investment scams | |  | b. | Management fraud | |  | c. | Vendor fraud | |  | d. | Embezzlement |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 39. The word "con," which means to deceive, comes from the word:   |  |  |  | | --- | --- | --- | |  | a. | Contract. | |  | b. | Conserve. | |  | c. | Confuse. | |  | d. | Confidence. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 40. In fraud prosecution cases, \_\_\_\_\_\_ matter consists of the underlying data and all corroborating information available.   |  |  |  | | --- | --- | --- | |  | a. | evidential | |  | b. | remedial | |  | c. | supplemental | |  | d. | elementary |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 41. The study conducted by the Association of Certified Fraud Examiners in 2008 estimated that U.S. organizations lose \_\_\_\_\_ percent of their annual revenues to fraud.   |  |  |  | | --- | --- | --- | |  | a. | 8 | |  | b. | 7 | |  | c. | 23 | |  | d. | 17 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 42. A company was the victim of several frauds that totaled approximately $10 million in one year. With a profit margin of 10 percent, and assuming that the company’s product sold for $1,000 per unit, how many additional units must the company sell to compensate for the fraud losses?   |  |  |  | | --- | --- | --- | |  | a. | 1 million | |  | b. | 100 million | |  | c. | 100,000 | |  | d. | 10,000 |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 43. Given below are the profit margins and fraud related losses of four economies. Which economy will have to generate the maximum dollar amount of additional revenues to recover the loss to aggregate income? Economy A 10% $225 million Economy B 10% $150 million Economy C 5% $100 million Economy D 2% $ 50 million   |  |  |  | | --- | --- | --- | |  | a. | Economy A | |  | b. | Economy D | |  | c. | Economy C | |  | d. | Economy B |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 44. The GDP in the economy of Ponziland was $5 billion in the year prior to the frauds (year 1). The economy were growing at 4 percent. Frauds during the year reduce aggregate income by $200 million. During the year, the economy has:   |  |  |  | | --- | --- | --- | |  | a. | shrunk by 1 percent. | |  | b. | grown by only 1 percent. | |  | c. | remained flat. | |  | d. | grown by 4 percent. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. What is the single most critical element for a fraud to be successful?   |  |  |  | | --- | --- | --- | |  | a. | Criminal intent | |  | b. | Confidence | |  | c. | Greed | |  | d. | Compulsion |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. Fraud statistics come from all of the following sources EXCEPT:   |  |  |  | | --- | --- | --- | |  | a. | Government agencies | |  | b. | Researchers | |  | c. | Insurance Companies | |  | d. | Victims | |  | e. | Fraud perpetrator |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 47. Which of the following skills would be least beneficial in a career as a fraud-fighting professional?​   |  |  |  | | --- | --- | --- | |  | a. | ​sales experience | |  | b. | ​auto mechanic | |  | c. | ​data entry clerk | |  | d. | ​journalist |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 48. Which of the following would NOT be acceptable as fraud-related experience to satisfy the education requirements to apply for CFE certification?​   |  |  |  | | --- | --- | --- | |  | a. | ​auditor (internal or external) | |  | b. | ​investigator for law enforcement agency or private sector | |  | c. | ​experience in the Human Resources department of an organization | |  | d. | ​paralegal for a prosecuting attorney |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 49. ​Which of the following statements regarding fraud on behalf of an organization is true?   |  |  |  | | --- | --- | --- | |  | a. | ​Middle management is usually the perpetrator. | |  | b. | ​This type of fraud benefits top executives as it generally increases stock price. | |  | c. | ​This type of fraud includes inflating expenses in order to save of corporate income taxes. | |  | d. | ​Financial statement fraud is common among publically-traded companies who must meet the public's expectations. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. ​Which individual listed is most likely to commit financial statement fraud in order to benefit an organization?   |  |  |  | | --- | --- | --- | |  | a. | ​an executive | |  | b. | ​an internal auditor | |  | c. | ​a floor manager (line supervisor) | |  | d. | ​the company Treasurer |  |  |  | | --- | --- | | *ANSWER:* | a | |