

CFE-FRAUD-PREVENTION-AND-DETERRENCE^{Q&As}

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QUESTION 1

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.

Correct Answer: B

QUESTION 2

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

Correct Answer: A

QUESTION 3

In identifying the inherent fraud risks that could apply to the organization the fraud risk assessment team should discuss

- A. The possibility of management override of controls
- B. Risks to the organization's reputation
- C. The organization's incentive programs
- D. All of the above

Correct Answer: D

QUESTION 4

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

Correct Answer: A

QUESTION 5

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.

Correct Answer: D

QUESTION 6

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

Correct Answer: B

QUESTION 7

Which of the following is among the audit committee's primary responsibilities related to fraud risk management?

- A. Understanding how internal and external audit strategies address fraud risk
- B. Designing the fraud risk management program
- C. Punishing fraud perpetrators discovered through fraud risk management activities
- D. Implementing the fraud risk management program

Correct Answer: B

QUESTION 8

Effective risk management involves balancing which of the following?

- A. The organization's internal controls and its financial goals

- B. The organization s financial reporting model and its risk tolerance
- C. The organization s regulatory requirements and its available resources
- D. The organization s risk appetite and its ability to meet its objectives

Correct Answer: C

QUESTION 9

Which of the following is TRUE regarding the communication of the fraud risk assessment process?

- A. The communication should be in the form of a personalized message from the assessment sponsor
- B. The communication should actively encourage employees to participate in the assessment process
- C. The communication should be visibly disseminated throughout the business
- D. All of the above

Correct Answer: D

QUESTION 10

The internal auditor s fraud-related responsibilities include which of the following?

- A. Evaluating whether management is actively retaining responsibility for oversight of the fraud risk management program
- B. Attesting that the organization s financial statements are free of material misstatements caused by fraud
- C. Reporting to regulators regarding the entity s vulnerability to fraud
- D. Overseeing managements actions to manage fraud risks

Correct Answer: C

QUESTION 11

The theory of differential association is used frequently to explain white-collar criminality Which of the following is NOT one of the assertions or principles of differential association?

- A. Criminal behavior is learned from other people in a process of communication
- B. Criminal behavior is learned using the same mechanisms as other learning
- C. Criminal behavior is acquired through participation with intimate personal groups
- D. The process of learning criminal behavior Is the same as pure imitation

Correct Answer: C

QUESTION 12

White, a Certified Fraud Examiner (CFE), was hired to conduct a fraud examination. She did not find fraud, but, in White's opinion, there were several internal control deficiencies that, if not remediated, could facilitate the occurrence of fraud. Under the ACFE Code of Professional Ethics, White may include her opinion on the controls in her report to management

- A. True
- B. False

Correct Answer: A

QUESTION 13

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

Correct Answer: C

QUESTION 14

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.

Correct Answer: B

QUESTION 15

Which of the following is a detective anti-fraud control?

- A. Separation of duties

- B. Hiring policies and procedures
- C. Independent reconciliations
- D. Fraud awareness training

Correct Answer: A

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