

Chapter 1--The Nature of Fraud

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 - 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.

2. Which of the following is NOT an element of a Ponzi scheme?
 - A. Gaining other's confidence.
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 - C. Collected money is invested in government bonds.
 - D. Investment principle is partially used to make payments to previous investors.

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.
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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 buyers acting alone.
- C. The perpetrator physically removes the inventory from the business premises.
- D. A fraud perpetrated through an unintentional mistake.

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.
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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
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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.

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

15. Which among the following frauds is most likely to be a civil charge?

- A. Racketeering
- B. Mail fraud
- C. Defamation
- D. Perjury

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.

17. The burden of proof in a criminal case must:

- A. be beyond a reasonable doubt.
- B. be the preponderance of knowledge and power.
- C. be preponderance of evidence.
- D. lie with the defendant.

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 go to jail.
- D. Only one claim at a time in civil cases however in criminal cases, various claims may be joined in one action.

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 initial investors.
- D. By returning money to all investors.

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

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

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.

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 to defraud federally insured financial institutions.
- C. the giving or receiving of any thing of value by a subcontractor to a prime contractor.
- D. individuals from using insider information to purchase or sell a company's securities.

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.

25. Who are the primary victims of financial statement fraud?

- A. Middle management
- B. Organizations that buy goods or services
- C. Analysts
- D. Stockholders

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

27. The ACFE includes three major categories of occupational fraud EXCEPT:

- A. asset misappropriations.
- B. corruption.
- C. fraudulent statements.
- D. pension fraud.

28. What is the most cost-effective way to minimize the cost of fraud?

- A. Prevention
- B. Detection
- C. Investigation
- D. Prosecution

29. Fraud in companies such as WorldCom, Enron, Waste Management, Sunbeam, Rite-Aid, Pharmor, Parmalat, and ZZZZBest are examples of:

- A. Customer fraud.
- B. Investment scams.
- C. Vendor fraud.
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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.

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.
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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.
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 always involves two or more employees.
 - D. It costs the employing organization assets, revenues, or reserves.

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

35. Which of the following frauds is usually the most expensive?

- A. Vendor fraud
- B. Customer fraud
- C. Occupational fraud
- D. Financial statement fraud

36. Civil claims begin when one party files a complaint against another, usually for the purpose of:

- A. penalty.
- B. imprisonment.
- C. proving the other party wrong.
- D. financial restitution.

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.

38. Telemarketing fraud usually falls into this category.

- A. Investment scams
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39. The word "con," which means to deceive, comes from the word:

- A. Contract.
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40. In fraud prosecution cases, _____ matter consists of the underlying data and all corroborating information available.

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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

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
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- C. 100,000
- D. 10,000

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

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A. Economy A

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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.

45. What is the single most critical element for a fraud to be successful?

- A. Criminal intent
- B. Confidence
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46. Fraud statistics come from all of the following sources EXCEPT:

- A. Government agencies
- B. Researchers
- C. Insurance Companies
- D. Victims
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