



**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**PILOT PAPER**

**MARCH 2025**

**Time Allowed: 3 hours.**

**Answer ALL questions. This paper has two sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying (50) marks. Marks allocated to each question are indicated at the end of the question.**

**SECTION I (50 MARKS)**

1. Which one of the following statements **BEST** describes the fraudulent effect of recording a fictitious revenue?
- A. Expenses are understated and revenue is overstated
  - B. Revenue is overstated and receivables are overstated
  - C. Revenue is understated and receivables are overstated
  - D. Expenses are understated and liabilities are understated

(1 mark)

**ANSWER: B**

2. Which one of the following statements **BEST** describes the fraudulent effect of omission of expenses in the financial statements?
- A. Expenses are understated and liabilities are understated
  - B. Expenses are overstated and liabilities are understated
  - C. Liabilities are overstated and expenses are understated
  - D. Liabilities are understated and receivables are overstated

(1 mark)

**ANSWER: A**

3. Which one of the following terms is **NOT** an off the book fraud?
- A. Embezzlement of funds
  - B. Bribery
  - C. Conflict of interest
  - D. Economic extortion

(1 mark)

**ANSWER: A**

4. Which one of the following statements is **NOT** an improper asset valuation scheme?
- A. Failure to write off obsolete inventory
  - B. Recording fictitious assets
  - C. Inadequate provision of bad and doubtful debts
  - D. Writing off bad debts

(1 mark)

**ANSWER :D**

5. Which one of the following **BEST** describe unearned revenue?
- A. Bad debts
  - B. Fictitious revenues
  - C. Improper valuation of receivables
  - D. Related party revenue transactions
- (1 mark)

**ANSWER: B**

6. Which one of the following is the **BEST** method that could be applied to detect corrupt payments?
- A. Focus at the point of payment
  - B. Conducting an audit
  - C. Interviewing employees
  - D. Interviewing procurement manager
- (1 mark)

**ANSWER: B**

7. Which one of the following statements is **ACCURATE** in regard to the major objective of bid rigging in a competitive procurement process?
- A. To inflate the prices of the bids
  - B. To support each other to win a bid
  - C. To manipulate the bids
  - D. To facilitate excessive buying
- (1 mark)

**ANSWER: A**

8. The directors of XYZ Company are also directors of ABC company. The two companies do substantial amount of business with each other. XYZ failed to disclose their relation with ABC Company in the financial statements. Which one of the following **BEST** describe the XYZ Company fraud scheme?
- A. Reporting entities scheme
  - B. Inadequate disclosure
  - C. Fraudulent related party's transactions
  - D. Changes of accounting policies scheme
- (1 mark)

**ANSWER: B**

9. Which one of the following **BEST** describe multifactor authentication technical security control?
- A. Systems security control
  - B. Applications security control
  - C. Network security control
  - D. Data classification control
- (1 mark)

**ANSWER: B**

10. Which one of the following is **NOT** a type of an effective technical security control?
- A. Data classifications
  - B. Training and awareness
  - C. Security audit test
  - D. Incident response plans
- (1 mark)

**ANSWER: A**

11. Which one of the following, financial transactions might be used to understate expenses?
- A. Recording direct expenses incurred to generate revenue
  - B. Recording prepaid expenses
  - C. Accrual of expenses
  - D. Capitalisation of expenses
- (1 mark)

**ANSWER: D**

12. Which one of the following statements is **ACCURATE** in regard to concealment of liabilities in financial statements?
- A. Capitalising expenses would result to concealment of liabilities
  - B. Omission of expenses would result to concealment of liabilities
  - C. Recording fictitious expenses would result to concealment of liabilities
  - D. Recording incurred expenses would result to concealment of liabilities
- (1 mark)

**ANSWER: B**

13. Which one of the following is a recommended control method of electronic transfer funds, fraud?
- A. Removing Automated Clearing House (ACH) blocks and filters
  - B. Having separate bank accounts for checks and electronic payments
  - C. Direct payment of ACH transactions
  - D. Having one bank account for checks and electronic payments
- (1 mark)

**ANSWER: B**

14. Which one of the following elements is **NOT** an item of the statement of profit or loss?
- A. Net sales
  - B. Discount allowed
  - C. Discount received
  - D. Payables
- (1 mark)

**ANSWER :D**

15. Which one of the following statements **BEST** explains a situation where the current liabilities are two times more than the current assets?
- A. The organisation will not be able to meet its immediate financial obligations
  - B. The organisation will have a good statement of cash flow from operation activities
  - C. The organisation might have overstated the current liabilities
  - D. The organisation, will be able to meet its immediate financial obligations
- (1 mark)

**ANSWER: A**

16. Which one of the following is a method that dishonest contractors use to give the appearance of competitive bidding?
- A. Bidders submit complementary bids
  - B. Bidders rotate bids
  - C. Bidders withdraw bids the last minute
  - D. Competitive bidders refrain from bidding
- (1 mark)

**ANSWER: A**

17. Which one of the following financial analysis is used to measure the percentage change in revenue from one period to another?
- A. Ratio analysis
  - B. Relational comparison
  - C. Horizontal analysis
  - D. Vertical analysis
- (1 mark)

**ANSWER: C**

18. Which one of the following schemes **BEST** describes social engineering scheme?
- A. Piggybacking
  - B. Wire tapping
  - C. Business email compromise
  - D. Electronic piggybacking
- (1 mark)

**ANSWER: C**

19. Sequential purchases under the competitive bidding limits that are followed by change orders is a red flag of, which of the following procurement fraud scheme?
- A. Bid tailoring
  - B. Bid splitting
  - C. Need recognition
  - D. Bid specification scheme
- (1 mark)

**ANSWER: D**

20. Which one of the following is a fraud scheme associated with competent bidders refraining from bidding?
- A. Market division
  - B. Bid rotation
  - C. Bid suppression
  - D. Bid manipulation
- (1 mark)

**ANSWER: C**

21. Which one of the following is **NOT** a fraud scheme perpetrated by health care providers?
- A. Coding
  - B. Excessive services
  - C. Experimental procedures
  - D. Intentional misrepresentation of the diagnosis
- (1 mark)

**ANSWER: A**

22. Which one of the following is **NOT** a red flag of bid specifications by procuring entity's employees?
- A. Bid specifications that are too broad
  - B. Broad specification
  - C. Narrow specification
  - D. Bid specifications that are vague
- (1 mark)

**ANSWER: B**

23. Which one of the following **BEST**, describes the process by which users are allowed to access computer systems and networks?
- A. Computer administrative control
  - B. Technical access control
  - C. Logical access control
  - D. Physical access control
- (1 mark)

**ANSWER: C**

24. Which one of the following steps of a risk assessment process identifies the risks and threats of each asset, and calculates the probability of each risk materialising.
- A. The third step of the risk assessment
  - B. The second step of the risk assessment
  - C. The first step of the risk assessment
  - D. The fourth step of the risk assessment
- (1 mark)

**ANSWER: A**

25. Which one of the following fraud schemes can be detected through a bank reconciliation statement?
- A. Double disbursements
  - B. Cash that has not been recorded in the books
  - C. Funds not deposited
  - D. Fraudulent disbursements
- (1 mark)

**ANSWER: C**

26. A Certified Fraud Examiner (CFE) was hired to serve as an expert witness in an alleged financial statement fraud. As part of her expert testimony, she explained that under the International Financial Reporting Standards (IFRS) management must make every effort to ensure that the company's financial statements are complete, neutral, and free from error. Which one of the following concepts was she explaining?
- A. Faithful representation
  - B. Going concern
  - C. Comparability
  - D. Consistency
- (1 mark)

**ANSWER: A**

27. Which one of the following is **NOT** a method that dishonest contractors use to collude in order to beat the competitive bidding process?
- A. Submit token bids
  - B. Rotate bids
  - C. Submit bids that are competitive in price.
  - D. Suppress bids
- (1 mark)

**ANSWER: C**

28. Which one of the following financial analysis techniques is used for measuring the relationship between any two different financial statement amounts?
- A. Statement comparison
  - B. Relational comparison
  - C. Transaction detail analysis
  - D. Ratio analysis
- (1 mark)

**ANSWER: D**

29. Which one of the following social engineering schemes **BEST** describes a fraudster who uses the chief executives' company email to impersonate him and then ask an accountant to make a wire transfer.
- A. Pharming
  - B. Spear phishing
  - C. Business email compromise
  - D. Vishing
- (1 mark)

**ANSWER: C**

30. Which one of the following is an indicator of a bid splitting scheme?
- A. Sequential purchases under the competitive bidding limits that are followed by change orders
  - B. Use of sole-source procurement contracts
  - C. Low employee turnover in an organisation's procurement department
  - D. Two or more purchases from the same supplier in amounts just above competitive bidding limits
- (1 mark)

**ANSWER: A**

31. Which one of the following is **NOT** a method that dishonest contractors use to collude to evade the competitive bidding process?
- A. Dividing the market among themselves
  - B. Alternate business among themselves on a rotational basis
  - C. Refrain from submitting bids
  - D. Competent bidders agree that each bidder to submit very competitive bids
- (1 mark)

**ANSWER: D**

32. Examples of fraud schemes perpetrated by health care institutions and their employees include all of the following, **EXCEPT** \_\_\_\_\_.
- A. up-coding of services
  - B. improper contractual relationships
  - C. billing for experimental procedures
  - D. unintentional misrepresentation of the diagnosis
- (1 mark)

**ANSWER: D**

33. Which one of the following is a common way a procuring employee might engage in a bid manipulation scheme?
- A. Leaking of bids information
  - B. Extending bid opening dates with justification
  - C. Opening bids on the scheduled dates
  - D. Specification of narrow bids
- (1 mark)

**ANSWER: A**

34. Which one of the following is the **MOST** accurate description of logical access?
- A. The process by which users are allowed to access and use physical objects
  - B. The process by which computer systems' contents are encrypted
  - C. The process by which users can bypass application security over the software and libraries
  - D. The process by which users are allowed to use computer systems and networks
- (1 mark)

**ANSWER :D**

35. Which one of the following statements is **NOT** accurate in regard to steps of risk assessment related to computers and computer systems?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materializing, is the third step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. Identifying the risks and threats of each asset and calculating the probability of each risk materializing, is the first step of a risk assessment
- (1 mark)

**ANSWER: D**

36. Which one of the following statements would be affected by capitalisation of expenditure?
- A. Statement of profit and loss and statement of financial position
  - B. Statement of profit and loss
  - C. Statement of financial position
  - D. Statement of profit and loss and statement of cash flow
- (1 mark)

**ANSWER: A**

37. Which one of the following is **NOT** a method that a fraudster can use to conceal theft of inventory?
- A. Writing off stolen inventory as scrap
  - B. Increasing the perpetual inventory balance
  - C. Adjusting the perpetual inventory records to decrease the balances
  - D. All the above
- (1 mark)

**ANSWER: B**

38. Which one of the following statements is **NOT** accurate in regard to the effect of fraudulent transactions on the current ratio?
- A. Failure to write off bad debts will result to an inflated current ratio
  - B. Omission of expenses will result to an inflated current ratio
  - C. Failure to write off obsolete inventory will result to a deflated current ratio
  - D. All the above
- (1 mark)

**ANSWER: C**

39. Which one of the following is **NOT** a method that is used to manipulate and destroy data?
- A. Availability of data
  - B. Disclosure of confidential information
  - C. Privilege escalation
  - D. Buffer overflow exploits
- (1 mark)

**ANSWER: A**

40. Which one of the following is **ACCURATE** in regard to cybercrime?
- A. Entering an altered or falsified data in the computer by an authorized employee, is a computer fraud offence
  - B. Modification of data by an authorised employee is a type of cybercrime
  - C. Unauthorised disclosure of data to an external party using the computer using the internet is a cybercrime
  - D. Computer forgery by an authorised person is cyber crime
- (1 mark)

**ANSWER: C**

41. Which one of the following is **ACCURATE** in regard to internet of things (IOT)?
- A. IOT technology tends to focus more on security than innovative design
  - B. IOT technology tends to focus more on innovative design than privacy
  - C. IOT devices commonly connect to networks using inadequate security
  - D. IOT devices commonly connect to networks using adequate security
- (1 mark)

**ANSWER: C**

42. Which one of the following describes the method used to gain unauthorised access through the use of a secret point into the program?
- A. Malware software
  - B. Back door
  - C. Trap door
  - D. Salami techniques
- (1 mark)

**ANSWER: C**

43. Which one of the following is **NOT** a type of administrative security controls?
- A. Intrusion detection software
  - B. Security awareness and education
  - C. Security reviews and audit
  - D. Security risk assessments
- (1 mark)

**ANSWER: A**

44. Apple and Green companies are major players in the construction industry. The two companies agreed that Green company refrain from bidding a contract tender issued by a government entity. Which one of the following is a red flag of the scheme perpetrated by the two companies?
- A. Apple company sub-contracted Green company
  - B. There was a rotational bidding pattern observed
  - C. The bid price submitted by Apple company was competitive
  - D. Apple company did not sub-contract Green company
- (1 mark)

**ANSWER: A**

45. Which one of the following financial statement fraud schemes is **NOT** associated with financial position fraudulent reporting?
- A. Overstated receivables
  - B. Overstated revenue
  - C. Understated liabilities
  - D. Overvaluation of non-current assets
- (1 mark)

**ANSWER: B**

46. Which one of the following terms **BEST** describes the type of corruption related to a public official receiving money from a contractor?
- A. Kickbacks
  - B. Commercial Bribery
  - C. Official bribery
  - D. Conflict of interest
- (1 mark)

**ANSWER: C**

47. Which one of the following **BEST** describes a healthcare fraud scheme where the health provider bills for two procedures which are supposed to be one procedure
- A. Unbundling
  - B. Up - coding
  - C. Fictitious billing
  - D. Overutilisation
- (1 mark)

**ANSWER: A**

48. Which one of the following statements is **NOT** a red flag of rotational bid rigging scheme?
- A. Competent bidders rotate token bids
  - B. Rotational binding has a winning pattern
  - C. The price of the lowest bid is very high in comparison to the market price
  - D. Bidders bid each time the lowest
- (1 mark)

**ANSWER: A**

49. Which one of the following statements is **NOT** accurate in regard to misrepresentation of the financial statements?
- A. Capitalisation of expenses will inflate the current ratio
  - B. Capitalising expenses would result to both inflated profit and overstated assets
  - C. Capitalising expenses would result to overstated assets
  - D. Capitalising expenses would result to understated expenses
- (1 mark)

**ANSWER: A**

50. Which one of the following is a common real estate fraud schemes?
- A. Draw requests
  - B. Fraudulent appraisals
  - C. Flopping schemes
  - D. Flipping schemes
- (1 mark)

**ANSWER: B**

## SECTION II (50 MARKS)

51. Discuss **FIVE** steps of a computer security risk assessment. **(Total: 20 marks)**
52. Explain **FIVE** financial statement fraud schemes. **(Total: 15 marks)**
53. Describe **FIVE** fraudulent transactions and their effect on the current ratio. **(Total: 10 marks)**
54. Identify **FIVE** methods of making corrupt payments. **(Total: 5 marks)**
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**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**TUESDAY: 22 April 2025. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions. This paper has two Sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying fifty (50) marks. Marks allocated to each question are indicated at the end of the question.**

**SECTION I (50 MARKS)**

1. Which one of the following statements **BEST** describes the effect of recording a fictitious receivable?
  - A. Expenses are understated and revenue is overstated
  - B. Revenue is overstated and receivables are overstated
  - C. Revenue is understated and receivables are overstated
  - D. Expenses are understated and liabilities are understated(1 mark)
2. Which one of the following statements is **ACCURATE** in regard to the effects of concealment of liabilities?
  - A. Expenses are understated and liabilities are understated
  - B. Expenses are overstated and liabilities are understated
  - C. Liabilities are overstated and expenses are understated
  - D. Liabilities are understated and receivables are overstated(1 mark)
3. Which one of the following terms **BEST** describes a fraud evidence that cannot be found in the books?
  - A. Fraudulent payments
  - B. Conflict of interest
  - C. Ghost employees
  - D. None of the above(1 mark)
4. Which one of the following statements is **ACCURATE** in regard to writing off bad debts?
  - A. Writing off bad debts can be a fraud scheme to cover fictitious receivables
  - B. Writing off bad debts is an improper asset valuation scheme
  - C. Writing off bad debts will fraudulently affect the profit
  - D. Writing off bad debts will overstate profit(1 mark)
5. Which one of the following interpretations **BEST** describes recognition of long-term contract revenue that has not been earned?
  - A. Overstated revenue
  - B. Fictitious revenues
  - C. Improper recognition of revenue
  - D. Recognition of revenue(1 mark)

6. Which one of the following methods is **MOST** effective in detecting fraudulent activities in an organisation?
- A. Conducting Internal audit
  - B. Conducting special audit
  - C. Conducting employee's fraud assessment questioning
  - D. Interviewing management
- (1 mark)
7. Which one of the following statements is **NOT** accurate in regard to the vendor's collusion objectives in a competitive binding?
- A. To inflate the prices of the bids
  - B. To support each other to win a bid
  - C. To manipulate the bids
  - D. None of the above
- (1 mark)
8. Which one of the following statements **BEST** describes failure to disclose reporting entities scheme?
- A. Inadequate disclosure
  - B. Fraudulent related party's transactions
  - C. Changes of accounting policies scheme
  - D. Improper asset valuation
- (1 mark)
9. Which one of the following types of security controls is **NOT** a technical security control?
- A. Computer risk assessments
  - B. Training and awareness
  - C. Security audit test
  - D. Incident response plans
- (1 mark)
10. Which one of the following schemes is associated with understatement of expenses?
- A. Recording direct expenses incurred to generate revenue
  - B. Recording prepaid expenses
  - C. Accrual of expenses
  - D. Capitalisation of expenses
- (1 mark)
11. Which one of the following statements is **ACCURATE** in regard to omission of expenses?
- A. Omission of expenses would result to overstated expenses
  - B. Omission of expenses would result to overstated liabilities
  - C. Omission of expenses would result to understated liabilities
  - D. None of the above
- (1 mark)
12. Which one of the following situations is the effect on the company's current ratio where an accountant fails to write down obsolete inventory to its current fair market value in a fraud scheme?
- A. The current ratio will be artificially deflated
  - B. The current ratio will not be affected
  - C. It is impossible to determine
  - D. The current ratio will be artificially inflated
- (1 mark)

13. Which one of the following statement of profit or loss items is used to calculate the receivable turnover ratio?
- A. Net sales
  - B. Total sales
  - C. Average receivables
  - D. Payables
- (1 mark)
14. Which one of the following statements **BEST** explains financial status where the current assets are 50% less than the current liabilities?
- A. The organisation will be insolvent
  - B. The organisation will record losses
  - C. The organisation will record profits
  - D. The organisation's current ratio will be inflated
- (1 mark)
15. Which one of the following actions **BEST** describes dishonest contractors bid rigging methods of submitting complementary bids?
- A. Submitting token bids
  - B. Bidders rotate bids
  - C. Bidders withdraw bids the last minute
  - D. Competitive bidders refrain from bidding
- (1 mark)
16. Which one of the following financial analysis ratios can be used to compare financial statements of two organisations?
- A. Ratio analysis
  - B. Relational comparison
  - C. Horizontal analysis
  - D. Vertical analysis
- (1 mark)
17. Which one of the following breaches is **NOT** a technical means of gaining unauthorised access to information?
- A. Piggybacking
  - B. Wire tapping
  - C. Business email compromise
  - D. Electronic piggybacking
- (1 mark)
18. Which one of the following procurement fraud schemes is associated with frequent change orders after the award of the tender?
- A. Bid tailoring
  - B. Bid splitting
  - C. Narrow specifications
  - D. Bid specification scheme
- (1 mark)
19. Which one of the following fraud schemes is associated with withdrawal of bids in a competitive procurement process?
- A. Market division
  - B. Bid rotation
  - C. Bid suppression
  - D. Bid manipulation
- (1 mark)

20. Which one of the following statements regarding new account fraud is **NOT** accurate?
- A. New account fraud can be defined as any fraud that occurs on an account within the first ninety days that it is open
  - B. Fraud is more likely to occur in accounts that have been newly opened than in established accounts
  - C. Automated teller machines (ATMs) are often enticing targets for new account fraud because they do not require in-person transactions with bank tellers
  - D. None of the above
- (1 mark)
21. Which one of the following specifications is **NOT** a pre-solicitation procurement fraud scheme?
- A. Too broad specifications
  - B. Broad specification
  - C. Narrow specification
  - D. None of the above
- (1 mark)
22. Which one of the following is **NOT** a bid rigging scheme?
- A. Market division
  - B. Withdrawal of bids
  - C. Bid manipulation
  - D. None of the above
- (1 mark)
23. Which one of the following **BEST** describes the ratio of measuring relationship between financial items in the same financial statement?
- A. Statement comparison
  - B. Relational comparison
  - C. Horizontal analysis
  - D. None of the above
- (1 mark)
24. Which one of the following actions is **NOT** a red flag of bid rigging scheme?
- A. Dividing the market among bidders
  - B. Alternating business among bidders
  - C. Refraining from submitting bids
  - D. Bidders competing against each other
- (1 mark)
25. Which one of the following is **NOT** a procurement bid manipulation scheme?
- A. Leaking of bids information
  - B. Extending bid opening dates
  - C. Early opening of bids on the scheduled
  - D. Tailoring of bids
- (1 mark)
26. Which one of the following statements **BEST** describes logical access?
- A. The process by which users are allowed to access and use physical objects
  - B. The process by which computer systems' contents are encrypted
  - C. The process by which users can bypass application security over the software and libraries
  - D. The process by which users are allowed to use computer systems and networks
- (1 mark)

27. Which one of the following statements is **NOT** accurate in regard to computer security risk assessment?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the third step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. None of the above
- (1 mark)
28. Which one of the following is **NOT** a fraud scheme used to conceal embezzlement of inventory?
- A. Writing off stolen inventory as scrap
  - B. Increasing the perpetual inventory
  - C. Reducing perpetual inventory records
  - D. None of the above
- (1 mark)
29. Which one of the following is **NOT** a data manipulation scheme?
- A. Disclosure of confidential information
  - B. Privilege escalation
  - C. Buffer overflow exploits
  - D. None of the above
- (1 mark)
30. Which one of the following statements **BEST** describes a type of cybercrime?
- A. Entering an altered or falsified data in the computer by an authorised employee
  - B. Modification of data by an authorised employee
  - C. Unauthorised disclosure of data to an external party using the internet
  - D. Computer forgery by an authorised employee
- (1 mark)
31. Which one of the following types of unauthorised access is associated with system programmers?
- A. Malware software
  - B. Back door
  - C. Trap door
  - D. Electronic piggybacking
- (1 mark)
32. Which one of the following financial reporting schemes would lead to a misrepresentation of an organisation's financial position and performance?
- A. Fictitious revenue
  - B. Capitalisation of expenses
  - C. Overstated revenue
  - D. Improper valuation of receivables
- (1 mark)
33. Which one of the following types of bribery **BEST** describes public bribery?
- A. Kickbacks
  - B. Commercial Bribery
  - C. Official bribery
  - D. Illegal rewards
- (1 mark)

34. Which one of the following terms **BEST** describes the bid rigging scheme where the lowest bid is very high in comparison to the market price?
- A. Bid manipulation
  - B. Bid suppression
  - C. Bid rotation
  - D. Complementary bidding
- (1 mark)
35. Which one of the following statements is **ACCURATE** in regard to the liquidity ratio of an organisation?
- A. Capitalisation of expenses will inflate the liquidity ratio
  - B. Capitalisation of expenses will not affect the liquidity ratio
  - C. Capitalisation of expenses will understate the liquidity ratio
  - D. None of the above
- (1 mark)
36. Which one of the following terms **BEST** describes the common construction loan fraud schemes?
- A. Draw requests
  - B. Fraudulent appraisals
  - C. Flopping schemes
  - D. Flipping schemes
- (1 mark)
37. Which one of the following steps is **NOT** a part of the process of responding to a cybersecurity incident?
- A. Detection and analysis
  - B. Containment and eradication
  - C. Preparation
  - D. None of the above
- (1 mark)
38. Which one of the following fraudulent disbursements are considered off-book?
- A. Disbursements to shell companies
  - B. Disbursement to non-prequalified vendors
  - C. Personal payments billing schemes
  - D. Multiple disbursement of expenses
- (1 mark)
39. Which one of the following basis of accounting ensures that all incurred expenses are recorded?
- A. Proper expenditure recognition basis
  - B. Accrual basis
  - C. Cash basis
  - D. Double entry
- (1 mark)
40. Which one of the following statements is **NOT** accurate in regard to recording of expenses in the financial statements?
- A. Capitalising expenses would result to concealment of liabilities
  - B. Capitalising expenses would not result to concealment of liabilities
  - C. Recording fictitious expenses would not result to concealment of liabilities
  - D. Recording incurred expenses would not result to overstatement of expenses
- (1 mark)

41. Which one of the following statements **BEST** describes the fraudulent transaction of recognising revenue that has not been earned?
- A. Crediting revenue and debiting receivables
  - B. Crediting revenue and debiting cash/bank
  - C. Crediting revenue and debiting liabilities account
  - D. Crediting revenue credit and debiting unearned revenue account
- (1 mark)
42. Which one the following statements is **ACCURATE** in regard to disclosures in financial statements?
- A. Disclosures are financial statement amounts and must be disclosed in financial statements
  - B. Failure to include disclosures would result to misrepresentation of the financial performance of the organisation
  - C. Failure to include disclosures would result to misrepresentation of the financial position of the organisation
  - D. None of the above
- (1 mark)
43. Which one of the following asset misappropriation fraud schemes is an off-book fraud?
- A. Bribery
  - B. Conflict of interest
  - C. Mischaracterised expenses
  - D. Ghost employees
- (1 mark)
44. Which one of the following tests and techniques would be **INEFFECTIVE** in detecting fund skimming?
- A. Examining journals receivables write-offs
  - B. Examining credits entries in inventory account
  - C. Confirming customers' unpaid account balances
  - D. Examining debit entries in inventory account
- (1 mark)
45. Which one of the following is **NOT** a method of paying bribes through loan transactions?
- A. A legitimate loan in which a third party makes the loan payments
  - B. An outright payment falsely described as an innocent loan
  - C. A loan made at market rates
  - D. A legitimate loan made on favorable terms
- (1 mark)
46. Which one of the following statements is **NOT** accurate in regard to capitation method of payment for health care services?
- A. Capitation is method of making payments to health care providers
  - B. Capitation payment method can reduce unnecessary services
  - C. Capitation payment method can increase unnecessary services
  - D. Capitation payment method can prevent fictitious patients scheme
- (1 mark)
47. Which one of the following statements is **NOT** an objective of a computer security risk assessment?
- A. Detect the risks that make an organisation vulnerable
  - B. Identify where fraud is most likely to occur
  - C. Quantify the economic impact that would result if the risk materialised
  - D. Provide an economic balance between the economic impact and the cost of prevention
- (1 mark)

48. Which one of the following measures is **NOT** a type of proactive detective computer security measure?
- A. Log management analysis
  - B. Data security
  - C. Security auditing
  - D. Security risk training and awareness
- (1 mark)
49. Which one of the following results is **NOT** a red flag of fraudulent investment opportunity?
- A. Promises of low risk
  - B. Promises of high rewards
  - C. Pressure to reinvest
  - D. None of the above
- (1 mark)
50. Which one of the following statements **BEST** illustrates theft of intellectual property through human intelligence?
- A. A corporate spy installs software on the computer of an employee from a competing company to monitor that employee's communications
  - B. A corporate spy creates a deceptive website that tricks employees from a competing company into divulging confidential information
  - C. A corporate spy breaks into a competing company's office and steals sensitive information while employees are attending an off-site event
  - D. A corporate spy poses as a customer of a competing company to elicit information from the competitor's salespeople
- (1 mark)

### SECTION B (50 MARKS)

51. (i) Explain **FOUR** bid rigging schemes in relation to public procurement. (8 marks)
- (ii) Describe **SIX** red flags associated with the four bid rigging schemes mentioned in 51 (i) above. (12 marks)
- (Total: 20 marks)**
52. Discuss **FIVE** types of corruption schemes that might be found in an organisation. **(Total: 15 marks)**
53. Analyse **FIVE** fraudulent transactions that would cause misrepresentation of both the financial position and financial performance of an organisation. **(Total: 10 marks)**
54. Identify **FIVE** health care provider schemes. **(Total: 5 marks)**
- .....





**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 2 December 2024. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper consists of one hundred (100) Multiple Choice Questions. Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. Each question is allocated one (1) mark.**

1. Which one of the following statements is **ACCURATE** in regard to the fraudulent effect of recognising fictitious revenue?
  - A. Expenses are understated and revenue is overstated
  - B. Revenue is understated and receivables are understated
  - C. Revenue is understated and receivables are overstated
  - D. None of the above(1 mark)
2. Which one of the following statements is **ACCURATE** in regard to the effects of omission of expenditure in the financial statements?
  - A. Expenses are understated and liabilities are overstated
  - B. Expenses are overstated and liabilities are understated
  - C. The current ratio is inflated
  - D. The current ratio is understated(1 mark)
3. Which one of the following occupation fraud is an off book fraud?
  - A. Embezzlement of funds
  - B. Ghost employees scheme
  - C. Personal purchase billing scheme
  - D. Multiple expenses(1 mark)
4. Which one of the following is a fraud scheme that is associated with writing off bad debts?
  - A. Improper asset valuation
  - B. Overstating receivables
  - C. Inadequate provision of bad and doubtful debts
  - D. None of the above(1 mark)
5. Which one of the following fraud schemes is associated with improper recognition of revenue?
  - A. Failure to write off bad debts
  - B. Recording receivables as revenue
  - C. Improper valuation of receivables
  - D. Recording long term contract revenue in the current financial year(1 mark)

6. Which one of the following is the **MOST** effective detection method of corrupt payments?
- A. Focus at the point of payment
  - B. Focus at the point of receiving
  - C. Conducting a forensic audit
  - D. None of the above
- (1 mark)
7. Which one of the following statements is **ACCURATE** in regard to the main objective of collusion among vendors and contractors in a competitive procurement process?
- A. Increase the cost of the bids
  - B. Suppress the bids
  - C. Rotate the bids
  - D. Divide the market
- (1 mark)
8. Which one of the following **BEST** describes the fraud scheme associated with related party's transactions?
- A. Reporting entities scheme
  - B. Inadequate disclosure
  - C. Fraudulent related party's transactions
  - D. Changes in accounting principles
- (1 mark)
9. Which one of the following **BEST** describes multilevel authentication control?
- A. Logical access control
  - B. Technical control
  - C. Administrative control
  - D. Legal control
- (1 mark)
10. Which one of the following security control is associated with technical security control?
- A. Training and awareness
  - B. Security audit test
  - C. Incident response plans
  - D. None of the above
- (1 mark)
11. Which one of the following basis of accounting should be used to avoid understating expenditure?
- A. Proper expenditure recognition basis
  - B. Accrual basis
  - C. Cash basis
  - D. Double entry basis
- (1 mark)
12. Which one of the following statements is **NOT** accurate in regard to overstating of profit?
- A. Capitalising expenses would result to overstatement of profit
  - B. Capitalising expenses would not result to overstatement of revenue
  - C. Omission of expenses would result to overstated profit
  - D. Failure to write off bad debts would result to overstated profits
- (1 mark)
13. Which one of the following is **NOT** an item of the statement of financial position?
- A. Receivables
  - B. Non-current assets
  - C. Disclosures
  - D. Payables
- (1 mark)

14. Which one of the following statements **BEST** describes an organisation as a going concern?
- A. The organisation's current assets must be more than the current liabilities
  - B. The organisation current assets must be more than the current liabilities to ensure a positive cash low
  - C. If the cash flow balances are positive
  - D. If it is able to meet its immediate financial obligations
- (1 mark)
15. Which one of the following statements **BEST** describes complementary bidding?
- A. Bidding that involves collusion among bidders
  - B. Bidding that involves submitting shadow bids
  - C. Bidding that involves suppressing the bids
  - D. None of the above
- (1 mark)
16. Which one of the following financial ratios could be used to detect fictitious revenue?
- A. Ratio analysis
  - B. Receivable turnover ratio
  - C. Inventory turnover ratio
  - D. Vertical analysis
- (1 mark)
17. Which one of the following is **NOT** a social engineering scheme?
- A. Piggybacking
  - B. Spearphishing
  - C. Business email compromise
  - D. Pharming
- (1 mark)
18. Which one of the following procurement fraud schemes facilitates change orders?
- A. Bid tailoring
  - B. Bid splitting
  - C. Need recognition
  - D. Bid specification scheme
- (1 mark)
19. Which one of the following is a fraud scheme associated with competent bidders sharing a contract?
- A. Market division
  - B. Bid rotation
  - C. Bid suppression
  - D. Bid manipulation
- (1 mark)
20. Which one of the following statements is **ACCURATE** in regard to narrow bid specification?
- A. Narrow bidding compromises competitive bidding
  - B. Several suppliers can meet the specifications
  - C. Narrow bidding is effective for competitive bidding
  - D. None of the above
- (1 mark)
21. Which one of the following computer risk assessment steps involves identification of risks?
- A. The third step of the risk assessment
  - B. The second step of the risk assessment
  - C. The first step of the risk assessment
  - D. The fourth step of the risk assessment
- (1 mark)

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22. Which one of the following statements is **NOT** accurate in regard to bank reconciliation statement in relation to detection of asset misappropriation?
- A. Bank reconciliation statements can help to detect fraudulent disbursements
  - B. Bank reconciliation statements cannot help to detect fraudulent disbursements
  - C. Bank reconciliation statements cannot help to detect skimming of revenue
  - D. Bank reconciliation statements can help detect un-deposited receipts
- (1 mark)
23. Which one of the following accounts would **NOT** be affected by capitalisation of expenditure?
- A. Liabilities account
  - B. Asset account
  - C. Expenses account
  - D. None of the above
- (1 mark)
24. Which one of the following statements is **NOT** a red flag of misappropriation of inventory?
- A. Failure to write off inventory as scrap
  - B. Decreasing perpetual inventory records to balance with physical inventory balances
  - C. Writing off inventory to scrap
  - D. None of the above
- (1 mark)
25. Which one of the following is a type of security response plan measure?
- A. Containment and eradication
  - B. Log management
  - C. Data classification
  - D. Data control
- (1 mark)
26. Which one of the following parties has the primary responsibility for prevention of financial statement fraud?
- A. Management
  - B. Accountants
  - C. External auditors
  - D. The Board
- (1 mark)
27. Which one of the following statements is **ACCURATE** in regard to fictitious revenue?
- A. Fictitious revenue means overstated revenue
  - B. Fictitious revenue is revenue that has not been earned
  - C. Fictitious revenue is revenue that does not exist
  - D. Fictitious revenue is revenue that relates to last financial year
- (1 mark)
28. Which one of the following fraud schemes relates to recognising prepaid revenue?
- A. Fictitious revenue
  - B. Understated revenue
  - C. Fraudulent revenue
  - D. None of the above
- (1 mark)
29. Which one of the following is a red flag of concealment of expenditure?
- A. Overdue receivables
  - B. Overstated expenditure
  - C. Disproportionate costs
  - D. Overstated receivables
- (1 mark)

30. Which one of the following schemes promotes favourable investment returns compared to the rest in the industry?
- A. Ponzi investment schemes
  - B. Pyramid investment schemes
  - C. Both ponzi and pyramid investments
  - D. Traditional investments opportunities
- (1 mark)
31. Which one of the following is **NOT** a red flag of bid rotation scheme?
- A. A pattern of winning bids
  - B. Competent industry players submit bids each time lower
  - C. Winning bidder contracts bidders who refrained from bidding
  - D. None of the above
- (1 mark)
32. Which one of the following procurement fraud schemes is **NOT** perpetrated at the solicitation phase of a competitive bidding process?
- A. Bid manipulation scheme
  - B. Bid specification schemes
  - C. Defective pricing
  - D. Bid rotation
- (1 mark)
33. Which one of the following procurement fraud schemes is **NOT** associated with pre-solicitation process?
- A. Bid manipulation scheme
  - B. Bid tailoring
  - C. Bid splitting
  - D. None of the above
- (1 mark)
34. Which one of the following is **NOT** an asset misappropriation scheme?
- A. Embezzlement scheme
  - B. Fictitious expenses scheme
  - C. Shell companies
  - D. Kickbacks
- (1 mark)
35. Which one of the following schemes is associated with unrealistic targets?
- A. Situational pressure
  - B. Financial pressure
  - C. Rationalisation
  - D. Opportunity
- (1 mark)
36. Which one of the following fraud schemes involves payment for goods or services not rendered?
- A. Embezzlement of funds
  - B. Misappropriation of funds
  - C. Misapplication of funds
  - D. None of the above
- (1 mark)

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37. Which one of the following statements is **NOT** accurate in regard to the effect on the liquidity ratio?
- A. Failure to write off obsolete inventory would inflate the current ratio
  - B. Omission of expenses would not inflate the current ratio
  - C. Omission of expenses would overstate the current ratio
  - D. Failure to write off bad debts would inflate the current ratio
- (1 mark)
38. Which one of the following statements does **NOT** describe a purpose of a computer security risk assessment process?
- A. Audit computer security risks that make an organisation vulnerable to computer fraud
  - B. Quantify the impact if the risk is materialised
  - C. Identify the risks that make an organisation vulnerable to computers and computer systems
  - D. Establish an economic balance between the impact if the risk materialised and the cost of the resources required
- (1 mark)
39. Which one of the following financial transactions can inflate revenue?
- A. Recording revenue that has been earned but not received
  - B. Recording revenue that has not been earned but received
  - C. Matching revenue with the respective expenses
  - D. Failure to record expenses incurred
- (1 mark)
40. Which one of the following statements **BEST** describes the type of control associated with security audits?
- A. Logical security controls
  - B. Administrative controls
  - C. Administrative and technical security controls
  - D. Technical security controls
- (1 mark)
41. Which one of the following is a procurement fraud scheme associated with failure to disclose residue materials?
- A. Material mischarges
  - B. Accounting mischarges
  - C. Misappropriation of materials
  - D. Defective pricing
- (1 mark)
42. Incident response plan related to cybersecurity should be created and implemented at which step?
- A. Planning step
  - B. Containment and eradication step
  - C. Recovery and follow-up step
  - D. None of the above
- (1 mark)
43. Which one of the following transactions would **NOT** conceal embezzlement of cash?
- A. Reducing owners' equity
  - B. Creating an expense
  - C. Decreasing a liability
  - D. Reducing an asset
- (1 mark)

44. Which one of the following is the **LEAST** effective method of detecting receipt of bribes by the procuring entity's employees?
- A. Life style audits
  - B. Interviewing employees
  - C. Audit tests
  - D. Integrity tests
- (1 mark)
45. Which one of the following is the **MOST** vulnerable billing scheme?
- A. Travel and accommodation account
  - B. Payroll account
  - C. Personal purchases
  - D. Printing and stationery
- (1 mark)
46. Which one of the following entities is likely to be under pressure to inflate revenue in the financial statements?
- A. Private company
  - B. Public listed company
  - C. Government ministry
  - D. Limited partnership
- (1 mark)
47. Which one of the following statements is **ACCURATE** in regard to calculating liquid ratio?
- A. Quick ratio is calculated by dividing realisable receivables, cash, bank and financial securities with current liabilities
  - B. Quick ratio is calculated by dividing total receivables, cash, bank and financial securities with current liabilities
  - C. Quick ratio is calculated by dividing total receivables, cash, bank and financial securities with total liabilities
  - D. Quick ratio is calculated by dividing total receivables, inventory, cash, bank, financial securities and current liabilities
- (1 mark)
48. Which one of the following steps of a risk assessment related to computers and computer systems involve recommendations for counter measures?
- A. Sixth step
  - B. Fourth step
  - C. Third step
  - D. None of the above
- (1 mark)
49. Which one of the following schemes is associated with capitalisation of expenses?
- A. Improper asset valuation
  - B. Overstated assets scheme
  - C. Improper disclosure
  - D. Concealed expenses
- (1 mark)

50. Which one of the following statements is **ACCURATE** in regard to the second step of risk assessment related to computers and computer systems?
- A. Identifying which physical and digital assets need to be protected, is the first step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the first step
  - C. Recommending the counter-measures and other remedial activities is the first step of a risk assessment related to computers and computer systems
  - D. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the first step of a risk assessment (1 mark)
51. Which one of the following steps of a risk assessment involves identifying the assets that need to be protected?
- A. The third step of the risk assessment
  - B. The second step of the risk assessment
  - C. The first step of the risk assessment
  - D. The fourth step of the risk assessment (1 mark)
52. Which one of the following schemes **BEST** describe “pass through scheme”?
- A. Conflict of interest
  - B. Purchases for personal use scheme
  - C. Shell company scheme
  - D. Billing scheme (1 mark)
53. Which one of the following is **NOT** a method of overstating receivables?
- A. Failure to write off bad debts
  - B. Capitalising expenses
  - C. Recording fictitious acquisition of assets
  - D. None of the above (1 mark)
54. Which one of the following health care fraud schemes **BEST** describes a fraudster stealing a health care provider’s identification information and bills a government health care program?
- A. Fictitious provider scheme
  - B. Identity theft scheme
  - C. Overbilling scheme
  - D. Unbundling scheme (1 mark)
55. Which one of the following is an item in the statement of profit and loss?
- A. Bad debts
  - B. Receivables
  - C. Disclosures
  - D. Payables (1 mark)
56. Which one of the following is **NOT** a method that research and development personnel could use to divulge confidential information?
- A. Discussions in conferences
  - B. Hiring outside professionals
  - C. Industry journals articles
  - D. None of the above (1 mark)



57. Which one of the following is **NOT** a method that can be used to detect a skimming scheme?
- A. Confirming customers current account balances
  - B. Examining receivable write-offs journals
  - C. Examining inventory credits journals
  - D. Observation of any inconsistency in revenue and activities for generating the revenue
- (1 mark)
58. Which one of the following statements is **ACCURATE** in regard to broad bid specification?
- A. Broad bidding compromises competitive bidding
  - B. Only a few suppliers can meet the specifications
  - C. Broad bidding is effective in facilitating competitive bidding
  - D. None of the above
- (1 mark)
59. Which one of the following is **NOT** an example of on-the-book fraud?
- A. Fictitious revenue recognition
  - B. Understanding liabilities
  - C. Kickback schemes
  - D. Inflating expenses
- (1 mark)
60. Which one of the following is **NOT** a financial statement fraud scheme?
- A. Omission of expenditure in the financial statements
  - B. Failure to disclose a major fraud
  - C. Recording receivable revenue
  - D. None of the above
- (1 mark)
61. According to Dr. Cressy, which one of the following statements represents “Opportunity” as one of the contributing factors of financial statement fraud in an organisation?
- A. A sudden decrease in revenue
  - B. High environmental pressure
  - C. Inadequate oversight
  - D. An overly ambitious revenue targets
- (1 mark)
62. Which one of the following situations creates a conducive environment for insiders within the organisation to perpetrate cyberfraud?
- A. Excess privileges granted to users
  - B. Separation of duties between program developers and program testers
  - C. Production programs are run during normal business hours
  - D. End users not having privileges to program source codes
- (1 mark)
63. Which one of the following is an administrative security control for protecting computer assets from intrusion?
- A. Encryption
  - B. System hardening
  - C. Firewalls
  - D. Computer security risk assessments
- (1 mark)

64. Which one of the following statements **BEST** describe a fictitious revenue scheme?
- A. An organisation recognises all revenue at the beginning of a project for work to be completed in subsequent periods
  - B. Recognising revenue that has not been received
  - C. Failure to write off bad debts
  - D. None of the above
- (1 mark)
65. Which one of the following departments is **MOST** vulnerable to bribery and corruption within an organisation?
- A. Finance department
  - B. Procurement department
  - C. Research and development department
  - D. Marketing department
- (1 mark)
66. Which one of the following statements is **ACCURATE** in regard to bribery?
- A. Bribery schemes are more common than all other types of occupational fraud
  - B. Bribery is the most expensive occupational fraud
  - C. Bribery can be paid through a loan serviced by the bribe payer
  - D. Corrupt intent is an element of bribery
- (1 mark)
67. Which one of the following methods of proving corrupt payments is **LEAST** effective for off book corruption schemes?
- A. Turning an inside witness to obtain a testimony
  - B. Conducting a sting operation to record ongoing transactions
  - C. Tracing the corrupt payment through audit steps focusing at the point of payment
  - D. Tracing corrupt payments through audit steps using the of point of suspected receipt
- (1 mark)
68. Which one of the following describes healthcare fraud scheme in which a doctor prescribes excessive and unnecessary services to patients for financial gain?
- A. Fictitious services schemes
  - B. Unbundling schemes
  - C. Overutilisation schemes
  - D. Fictitious provider schemes
- (1 mark)
69. ABC organisation overvalued the inventory in the financial statements. Which one of the following financial ratios was affected by this fraud scheme?
- A. Quick ratio
  - B. Gross margin ratio
  - C. Current ratio
  - D. Profit margin ratio
- (1 mark)
70. Which one of the following is a type of an access control that is both administrative and technical?
- A. Firewalls
  - B. Warning screen
  - C. Biometrics system
  - D. Intrusion detection system
- (1 mark)

71. Which one of the following is the **MAIN** reason why college students are suitable targets for identity theft?
- A. They are less likely to report identity theft
  - B. They have no credit history
  - C. They have more available cash
  - D. They are inexperienced in managing and using credit cards
- (1 mark)
72. Mark a fraudster creates a fictitious identity by combining a person's real government identification number with a fabricated name and birthdate. Mark then uses the new identity to apply for a credit card.
- Which one of the following describes the kind of identity theft scheme?
- A. True name fraud
  - B. Traditional identity theft
  - C. Synthetic identity theft
  - D. Account takeover identity theft
- (1 mark)
73. Which one of the following statements is **ACCURATE** in regard to criminal identity theft?
- A. A fraudster creates a new company with a similar name to an existing business which he uses for fraudulent purposes
  - B. A fraudster falsely identifies himself as another person to a police officer while being arrested
  - C. A fraudster uses another person's identity to file a tax return and obtain a refund from the government
  - D. A fraudster uses a victim's personal information to file claims for government disability benefits
- (1 mark)
74. A purchasing officer at a local NGO convinces management that a beneficiary requires new water tanks which the beneficiary did not need. This type of procurement fraud scheme is known as \_\_\_\_\_.
- A. conflict of interest
  - B. need recognition scheme
  - C. bid manipulation scheme
  - D. none of the above
- (1 mark)
75. Which one of the following procurement fraud schemes is present only in the post award and administration phase of the procurement process?
- A. Substandard goods or services scheme
  - B. Leaking bid data scheme
  - C. Defective pricing schemes
  - D. Bid splitting
- (1 mark)
76. Which one of the following statements **BEST** describes why contractors would suppress bids?
- A. To support each other to share the available contracts
  - B. To inflate the total cost of the contract and share the works
  - C. To ensure that winning bidder gets a competitive price for the bid
  - D. None of the above
- (1 mark)
77. Which of the following frauds is **NOT** a type of workers' compensation?
- A. Agent fraud
  - B. Indemnity fraud
  - C. Premium fraud
  - D. Claimant fraud
- (1 mark)

78. At which point should employees **NOT** be informed about confidential information?
- A. Upon being hired
  - B. During an exit interview
  - C. When signing a nondisclosure agreement
  - D. None of the above
- (1 mark)
79. Which one of the following **BEST** describes billing separately from subcomponents of a single procedure?
- A. Over-coding
  - B. Double billing
  - C. Fictitious billing
  - D. None of the above
- (1 mark)
80. Which one of the following is **NOT** a common medical suppliers fraud scheme?
- A. Intentionally providing excessive equipment
  - B. False prescription for medical equipment
  - C. Billing for equipment rental after it is returned
  - D. Double billing for medical equipment
- (1 mark)
81. Which one of the following is **NOT** a target for affinity fraud scheme?
- A. Professional associations
  - B. Corporations
  - C. Immigrant groups
  - D. Member clubs
- (1 mark)
82. Which one of the following schemes **BEST** describes payments to individuals who does not work for the organisation?
- A. Asset misappropriation scheme
  - B. Fraudulent disbursement
  - C. Corruption
  - D. Overstated expenses
- (1 mark)
83. Which one of the following is **NOT** a red flag of fraudulent insurance claims?
- A. A theft claim includes a lot of recently purchased property without proof of purchase
  - B. A fire loss claim does not include family sentimental items
  - C. The insured has not made many previous insurance claims
  - D. A claim is made soon after the insurance policy starts
- (1 mark)
84. Which one of the following statements is **ACCURATE** in regard to fraud schemes associated with financing linked with large deposits?
- A. Unqualified borrowers misrepresent personal credit worthiness, overstate their ability to pay and misrepresent characteristics of a housing unit
  - B. Borrowers pledge the same collateral with different lenders before liens are recorded without telling the lenders
  - C. Large deposits are offered to a bank on the condition that loans are made to individuals affiliated with the deposit broker
  - D. Insiders in different banks cause their banks to lend funds or sell loans to other banks with agreements to buy their loans
- (1 mark)

85. Which one of the following is a recommended method of recognising revenue on long term projects?
- A. Complete-valuation method
  - B. Percentage-of-completion method
  - C. Partial-contract method
  - D. Cost-to-completion method
- (1 mark)
86. Which one of the following is **NOT** a recommended step for responding to a cybersecurity incident?
- A. Detection and analysis
  - B. Containment and eradication
  - C. Planning
  - D. Preparation
- (1 mark)
87. The following are best practices for ensuring separation of duties within the information communication technology (ICT) department and business unit personnel, **EXCEPT** \_\_\_\_\_.
- A. only programmers should be server administrators
  - B. ICT departments should not overlap with information user departments
  - C. end users should not have access to production data outside the scope of their normal job duties
  - D. program developers should not be responsible for testing programs
- (1 mark)
88. Which one of the following occupation frauds is an on book fraud?
- A. Bribery
  - B. Conflict of interest
  - C. Mischaracterised expenses
  - D. None of the above
- (1 mark)
89. Which one of the following basis of accounting should be used to avoid understating expenditure?
- A. Proper expenditure recognition basis
  - B. Accrual basis
  - C. Cash basis
  - D. Double entry basis
- (1 mark)
90. Which one of the following statements is **NOT** accurate in regard to understatement of liabilities in financial statements?
- A. Capitalising expenses would result to concealment of liabilities
  - B. Capitalising expenses would not result to concealment of liabilities
  - C. Recording fictitious expenses would not result to concealment of liabilities
  - D. Recording incurred expenses would not result to concealment of liabilities
- (1 mark)
91. Which one of the following statements describes the fraudulent transaction of capitalisation of expenditure?
- A. Credit expenditure account and debit assets account
  - B. Debit expenditure account and credit assets account
  - C. Credit expenditure account and debit liabilities account
  - D. Credit expenditure account and credit account
- (1 mark)

92. Which one of the following basis of accounting for expenditure would result to understated liabilities?
- A. Double entry basis
  - B. Accrual basis
  - C. Cash basis
  - D. Marching principle
- (1 mark)
93. Which one of the following is **NOT** a red flag of revenue recognition fraud scheme?
- A. Normal revenue growth
  - B. Rapid growth
  - C. Negative cash flow balances while reporting profits
  - D. Rapid profits growth
- (1 mark)
94. Which one of the following statements is **NOT** a red flag of bid specifications?
- A. Similar or identical procurements from the same supplier in amounts just slightly over the competitive bidding limits
  - B. Consecutive related procurements from several contractors that are within the competitive-bidding or upper-level review limits
  - C. Justifiable split purchases that fall under the competitive-bidding or upper-level review limits
  - D. None of the above
- (1 mark)
95. Which one of the following statements is **ACCURATE** in regard to business email compromise social engineering scheme?
- A. Business email compromise is a type of phishing
  - B. Business email compromise is a type of vishing
  - C. Business email compromise is a type of pharming
  - D. None of the above
- (1 mark)
96. Which one of the following statements is **ACCURATE** in regard to red flags of tailoring bids?
- A. Justifiable changes in contract specifications from previous proposals or similar items
  - B. Good number of competitive bids or awards to several bidders
  - C. Specifications developed by a consultant who is also a bidder
  - D. None of the above
- (1 mark)
97. Which one of the following statements is **NOT** an indicator of bid rigging?
- A. Competent bidders refrain from bidding
  - B. Competent bidders rotate bids
  - C. Complementary bids
  - D. None of the above
- (1 mark)
98. Which one of the following **BEST** describes data classification as a type of control?
- A. Administrative control
  - B. Technical control
  - C. Detective control
  - D. Preventive control
- (1 mark)

99. Under the IFRS, recognising a long-term project revenue can **BEST** be described as which one of the following financial statements fraud schemes?
- A. Fictitious revenue scheme
  - B. Improper revenue recognition
  - C. Overstated revenue scheme
  - D. None of the above
- (1 mark)

100. Which one of the following is a legal method of gathering information of a competitor?
- A. Espionage
  - B. Surveillance
  - C. Competitive intelligence
  - D. None of the above
- (1 mark)

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**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 19 August 2024. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper consists of one hundred (100) Multiple Choice Questions. Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. Each question is allocated one (1) mark.**

1. Which one of the following **BEST** describe the double fraudulent effect of recording fictitious revenue?
  - A. Expenses are understated and revenue is overstated
  - B. Revenue is overstated and receivables are overstated
  - C. Revenue is understated and receivables are overstated
  - D. Expenses are understated and liabilities are understated(1 mark)
2. Financial statement fraud can be caused through commission or omission. Which one of the following **BEST** describes the fraudulent double effect of omission of expenses in the financial statements?
  - A. Expenses are understated and liabilities are understated
  - B. Expenses are overstated and liabilities are understated
  - C. Liabilities are overstated and expenses are understated
  - D. Liabilities are understated and receivables are overstated(1 mark)
3. Fraud can either be in the book or off the book. Which one of the following is **NOT** an off the book fraud?
  - A. Embezzlement of funds
  - B. Bribery
  - C. Conflict of interest
  - D. Economic extortion(1 mark)
4. Which one of the following is **NOT** an improper asset valuation scheme?
  - A. Failure to write off obsolete inventory
  - B. Recording fictitious assets
  - C. Inadequate provision of bad and doubtful debts
  - D. Writing off bad debts(1 mark)
5. Which one of the following **BEST** describes unearned revenue?
  - A. Bad debts
  - B. Airlines tickets
  - C. Improper valuation of receivables
  - D. Related party revenue transactions(1 mark)
6. Which one of the following methods can **BEST** be used to detect corrupt payments?
  - A. Focus at the point of payment
  - B. Conducting an audit
  - C. Interviewing employees
  - D. Interviewing procurement manager(1 mark)
7. Which one of the following statement is **ACCURATE** in regard to the major objective of bid rigging in a competitive procurement process?
  - A. To inflate the prices of the bids
  - B. To support each other to win a bid
  - C. To manipulate the bids
  - D. To facilitate excessive buying(1 mark)



8. The directors of XYZ Company are also directors of ABC company. The two companies do substantial amount of business with each other. XYZ failed to disclose their relation with ABC Company in the financial statements.
- Which one of the following **BEST** describes the fraud scheme exhibited by XYZ Company?
- A. Reporting entities scheme
  - B. Inadequate disclosure
  - C. Fraudulent related party's transactions
  - D. Changes of accounting policies scheme
- (1 mark)
9. Which one of the following **BEST** describes multifactor authentication technical security control?
- A. Systems security control
  - B. Applications security control
  - C. Network security control
  - D. Data classification control
- (1 mark)
10. Which one of the following is **NOT** a type of an effective technical security control?
- A. Data classifications
  - B. Training and awareness
  - C. Security audit test
  - D. Incident response plans
- (1 mark)
11. Which one of the following financial transaction can be used to understate expenses?
- A. Recording direct expenses incurred to generate revenue
  - B. Recording prepaid expenses
  - C. Accrual of expenses
  - D. Capitalisation of expenses
- (1 mark)
12. Which one of the following statements is **ACCURATE** in regard to concealment of liabilities in financial statements?
- A. Capitalising expenses would result to concealment of liabilities
  - B. Omission of expenses would result to concealment of liabilities
  - C. Recording fictitious expenses would result to concealment of liabilities
  - D. Recording incurred expenses would result to concealment of liabilities
- (1 mark)
13. Which one of the following is a recommended control method of electronic transfer funds fraud?
- A. Removing Automated clearing house (ACH) blocks and filters
  - B. Having separate bank accounts for checks and electronic payments
  - C. Direct payment of ACH transactions
  - D. Having one bank account for checks and electronic payments
- (1 mark)
14. Which one of the following is **NOT** an item of the statement of profit or loss?
- A. Net sales
  - B. Expenses
  - C. Operating expenses
  - D. Payables
- (1 mark)
15. Which of the following statements **BEST** explain a situation where the current liabilities are two times more than the current assets?
- A. The organisation will not be able to meet its immediate financial obligations
  - B. The organisation will have a good statement of cash flow from operation activities
  - C. The organisation might have overstated the current liabilities
  - D. The organisation will be able to meet its immediate financial obligations
- (1 mark)
16. Which one of the following methods is used by dishonest contractors to give the appearance of competitive bidding?
- A. Bidders submit complementary bids
  - B. Bidders rotate bids
  - C. Bidders withdraw bids the last minute
  - D. Competitive bidders refrain from bidding
- (1 mark)

17. Which one of the following types of financial analysis is used when comparing an organisation's revenue trend analysis?  
A. Ratio analysis  
B. Relational comparison  
C. Horizontal analysis  
D. Vertical analysis (1 mark)
18. Which one of the following **BEST** describes social engineering scheme?  
A. Piggybacking  
B. Wire tapping  
C. Baiting  
D. Electronic piggybacking (1 mark)
19. Sequential purchases under the competitive bidding limits that are followed by change orders is a red flag of which of the following procurement fraud scheme.  
A. Bid tailoring  
B. Bid splitting  
C. Need recognition  
D. Bid specification scheme (1 mark)
20. Which one of the following is a fraud scheme associated with competent bidders refraining from bidding?  
A. Market division  
B. Bid rotation  
C. Bid suppression  
D. Bid manipulation (1 mark)
21. Which one of the following is **NOT** a fraud scheme perpetrated by health care providers?  
A. Coding  
B. Excessive services  
C. Experimental procedures  
D. Intentional misrepresentation of the diagnosis (1 mark)
22. Which one of the following is **NOT** a red flag of bid specifications by procuring entity's employees?  
A. Bid specifications that are too broad  
B. Broad specification  
C. Narrow specification  
D. Bid specifications that are vague (1 mark)
23. Which one of the following **BEST** describe the process by which users are allowed to access computer systems and networks?  
A. Computer administrative control  
B. Technical access control  
C. Logical access control  
D. Physical access control (1 mark)
24. Which one of the following steps of risk assessment involves identifying the risks threats of each asset and calculating the probability of each risk materialising?  
A. The third step  
B. The second step  
C. The first step  
D. The fourth step (1 mark)
25. Which one of the following fraud prevention schemes could help detect fraud through a bank reconciliation statement?  
A. Undertaking special audits  
B. Cash that has not been recorded in the books  
C. Undertaking income statement audit  
D. Undertaking audit of statement of financial position (1 mark)

26. Which one of the following accounts would be misrepresented by capitalisation of expenditure?
- A. Liabilities account
  - B. Asset account
  - C. Revenue account
  - D. Long term liabilities
- (1 mark)
27. Which one of the following is a red flag of theft of inventory?
- A. Writing off inventory as scrap
  - B. Failure to write off scrap inventory
  - C. Increasing perpetual inventory records to balance with physical inventor balances
  - D. Decreasing physical inventory balances to balance with perpetual inventory
- (1 mark)
28. Failure to write off bad debts will result to \_\_\_\_\_.
- A. understated receivables and overstated receivables
  - B. overstated expenses and overstated receivables
  - C. understated expenses and overstated receivables
  - D. understated profits and overstated receivables
- (1 mark)
29. Which one of the following is **ACCURATE** in regard to cyber fraud?
- A. Entering, altering or falsified data in the computer by an authorised employee to gain a financial advantage
  - B. Hacking into a computer system
  - C. Unauthorised disclosure of data to an external party using the internet
  - D. Computer forgery by an authorised person
- (1 mark)
30. Which one of the following statements is **ACCURATE** in regard to security of Internet of Things (IOT) technology?
- A. IOT technology tends to focus more on security than innovative design
  - B. IOT technology tends to focus more on innovative than security
  - C. IOT technology tends to focus equally on both innovation and security
  - D. IOT devices commonly connect to networks using adequate security
- (1 mark)
31. Which one of the following describes the method used to gain unauthorised access through the use of undocumented security procedures?
- A. Virus software
  - B. Back door
  - C. Trap door
  - D. Trajon horse
- (1 mark)
32. Which one of the following security controls is a type of security risk assessment?
- A. Logical security controls
  - B. Administrative and technical security controls
  - C. Administrative controls
  - D. Technical security controls
- (1 mark)
33. Which of the following statements is **NOT** accurate in regard to competitive binding?
- A. In bid rigging winning bidders subcontract losing bidders
  - B. In bid rigging there is bid winning pattern
  - C. The winning bidder bid price in a competitive bidding is always competitive
  - D. The winning bidder bid price in a competitive bidding is not always competitive
- (1 mark)
34. Which one of the following financial statements is misrepresented by overvaluation of non-current assets?
- A. Statement of financial position
  - B. Statement of profit and loss
  - C. Statement of owner's equity
  - D. Statement of cash flows
- (1 mark)
35. Which one of the following statements **BEST** describe un-bundling health care provider fraud scheme?
- A. Involves double billing for one procedure
  - B. Involves billing for a fictitious procedure
  - C. Involves billing one procedure as two procedures inflating the total bill
  - D. Involves billing one procedure as two procedures and understate the total bill
- (1 mark)

36. Which one of the following **BEST** describes an occurrence when one (or more) bidder(s) sits out of the bidding so that another party is guaranteed to win a bidding process.
- A. Bid suppression
  - B. Bid rotation
  - C. Market division
  - D. Complementary bids
- (1 mark)
37. What can a business provide to its employees as a fraud prevention procedure?
- A. Background check
  - B. Competitive Pay
  - C. Audits
  - D. Reporting
- (1 mark)
38. Fraudulent appraisal is associated with which one of the following loan fraud schemes?
- A. Credit card loans
  - B. Overdraft loans
  - C. Real estate loans
  - D. Personal loans
- (1 mark)
39. Which one of the following is a red flag of off book fraud schemes?
- A. Overdue account receivable balances
  - B. Increased revenues
  - C. Increased cash balances
  - D. Increased receivable balances
- (1 mark)
40. Which of the following is a red flag of ghost employees scheme?
- A. Employees in the payroll but not in the human resource master file
  - B. The wage bill suddenly goes down
  - C. Employees in the human resource master file but not in the payroll
  - D. Unexplained salary increases for some employees
- (1 mark)
41. Which of the following is **NOT** an appropriate technique for detecting a nonconforming goods or services scheme?
- A. Conduct unannounced inspections of questioned goods or materials
  - B. Interview procurement personnel about the presence of any red flags
  - C. Determine if contract costs have exceeded or are expected to exceed the contract value
  - D. Review the inspection and testing reports of questioned goods or materials
- (1 mark)
42. Which of the following unauthorised access **BEST** describes wire-tapping?
- A. Technical surveillance
  - B. Logical access
  - C. Piggybacking
  - D. Physical access
- (1 mark)
43. Which of the following is **NOT** an indicator of a bid tailoring scheme?
- A. Competitive bids are awarded to the same bidder
  - B. A good number of bidders respond to bid requests
  - C. A contract is not rebid when a fewer than minimum number of bids are received
  - D. The bid specifications are too broad
- (1 mark)
44. Which of the following is a fraud scheme that a warehouse employee can use to conceal inventory shrinkage?
- A. Increasing the inventory book balance
  - B. Failure to Write off stolen inventory as scrap
  - C. Physical padding of inventory
  - D. Decreasing physical inventory balance
- (1 mark)
45. Which one of the following types of control **BEST** describe encryption of data?
- A. Physical security control
  - B. Technical security control
  - C. Administrative security control
  - D. Application security control
- (1 mark)

46. Which one of the following procedures helps in detecting substandard goods or services scheme?  
A. Reviewing the contractor's claims, invoices and supporting documents  
B. Reviewing the number of qualified bidders who submitted proposals  
C. Reviewing correspondence and contract files for indications of compliance regarding specifications  
D. Establishing the source of the suspect goods or materials (1 mark)
47. The most common practice for management to commit financial statement fraud is by \_\_\_\_\_.  
A. increasing bonuses  
B. meeting unrealistic targets  
C. avoiding negative publicity  
D. complying with financing covenants (1 mark)
48. Which of the following practices is a potential indicator of a bid splitting scheme?  
A. Frequent use of sole-source procurement contracts  
B. Sequential purchases under the competitive bidding limits that are followed by change orders  
C. Low employee turnover in an organisation's procurement department  
D. Two or more purchases from the same supplier in amounts just above competitive bidding limits (1 mark)
49. D&N Railway solicits bids to lay several miles of new railroad track. Bob, who works for D&N writes the specifications for the project to provide that D&N will only contract with companies that have more than 25 years of experience. Bob knows that only B&Q Track Co., one of the prospective bidders has more than 25 years of experience. What type of procurement fraud scheme has taken place?  
A. Bid suppression  
B. Bid alteration  
C. Bid tailoring  
D. Bid division (1 mark)
50. Which of the following is a common red flag of a defective pricing procurement fraud scheme?  
A. Contractor submits a request for change orders  
B. A contractor uses valid cost schedules  
C. A contractor delivers products that appear to be counterfeit  
D. A contractor's cost estimates are inconsistent with its prices (1 mark)
51. How can a business set up effective communication for employees to report fraud?  
A. Anonymous emails or phone lines  
B. One on one meetings with management  
C. One-on-one meetings with peers  
D. Public tribunal (1 mark)
52. Which one of the following transactions can fraudulently overstate non- current assets?  
A. Overstating expenses  
B. Capitalising expenses  
C. Overstating cost of the assets  
D. Under valuation of assets (1 mark)
53. Which one of the following is **NOT** an e-commerce security goal?  
A. Confidentiality  
B. Availability  
C. Repudiation  
D. Non- repudiation (1 mark)
54. The most common account(s) manipulated when perpetrating financial statement fraud are \_\_\_\_\_.  
A. expenses  
B. inventory  
C. revenues  
D. accounts receivables (1 mark)

- 55 Which of the following is the **MOST** common type of improper asset valuation?  
A. Current assets valuation  
B. Non-current assets valuation  
C. Inventory valuation  
D. Receivables valuations (1 mark)
- 56 Recording fictitious receivables will usually result in \_\_\_\_\_.  
A. increase in accounts receivable turnover  
B. increase in the number of days in receivables  
C. increased sales discount percentage  
D. sales return percentage that remains constant (1 mark)
- 57 Fraud that involves theft of an entities assets is called \_\_\_\_\_.  
A. fraudulent financial reporting  
B. a "cookie jar" reserve  
C. misappropriation of assets  
D. income smoothing (1 mark)
- 58 The following are principles of bribery and corruption, **EXCEPT** \_\_\_\_\_.  
A. risk assessment  
B. due diligence  
C. monitoring and review  
D. integrity and accountability (1 mark)
- 59 The most common technique used by management to misstate financial information is \_\_\_\_\_.  
A. overstatement of expenses  
B. improper revenue recognition  
C. understatement of liabilities  
D. understatement of assets (1 mark)
- 60 Fraud awareness training should be \_\_\_\_\_.  
A. broad and all-encompassing  
B. extensive and include details of all functional areas  
C. focused on employees understanding the importance of ethics  
D. specifically related to employee's job specification (1 mark)
- 61 Which one of the following is a factor that relates to incentives or pressure to commit fraudulent financial reporting?  
A. Significant accounting estimates involving subjective judgement  
B. High turnover of accounting, internal audit and information technology staff  
C. Managements practices of making overly aggressive forecasts  
D. Excessive pressure for management to meet debt repayment requirements (1 mark)
- 62 Which of the following is **NOT** a factor that relates to opportunities to misappropriate assets?  
A. Adverse relationship between management and employees  
B. Presence of large amounts of cash on hand  
C. Inadequate internal controls over assets  
D. Inappropriate segregation of duties (1 mark)
- 63 Which of the following **BEST** describes a Ponzi scheme?  
A. Old investors are paid with money from new investors.  
B. Operations involve recruiting new members  
C. Promotes itself as a pyramid  
D. It can be legal or illegal (1 mark)
- 64 Which one of the following investments has a history of usual inconsistent returns influenced by fluctuations in financial markets?  
A. Ponzi investment  
B. Pyramid investment  
C. Both Ponzi and Pyramid investments  
D. Traditional investments (1 mark)

- 65 Which one of the following is a red flag of a bid rigging scheme?
- A. Competent industry players submit consistently low prices for the bids
  - B. Competent industry players submit bids each time higher than the other bidder
  - C. Bid prices go down when a new competitor enters the competition
  - D. Bid prices go up when a new competitor enters the competition
- (1 mark)
- 66 Which one of the following procurement fraud scheme is perpetrated by procuring entity's employees in collusion with the contractors?
- A. Bid manipulation scheme?
  - B. Need recognition scheme
  - C. Defective pricing
  - D. Product Substitution scheme
- (1 mark)
- 67 Which one of the following **BEST** describes the expense scheme where a marketing officer uses the company's credit card to pay for expenses and then submit the expenses receipts for reimbursement?
- A. Double payment scheme
  - B. Misappropriation of company's funds
  - C. Multiple reimbursement scheme
  - D. Fictitious expenses scheme
- (1 mark)
- 68 Which one of the following schemes **BEST** describes the fraud scheme, where a marketing director, entertain his friends and relatives and submit expenses receipt for reimbursement?
- A. Manipulation expense scheme
  - B. Cash embezzlement scheme
  - C. Fictitious expenses scheme
  - D. Mischaracterised expense scheme
- (1 mark)
- 69 Which one of the following is a type of logical access control?
- A. Encryption of data
  - B. Authentication
  - C. Security audits
  - D. Data classification
- (1 mark)
- 70 Which of the following is a methodology for responding to a cybersecurity incident?
- A. Identification and analysis
  - B. Computer risk assessment
  - C. Cyber security planning
  - D. Breach notification
- (1 mark)
- 71 Which one of the following is **NOT** a situational pressure associated with financial statement fraud?
- A. Unrealistic targets
  - B. Decreased revenue or market share
  - C. Financial crisis pressure
  - D. Performance compensation bonus
- (1 mark)
- 72 Which of the following types of fraud scheme describes fraud where payment of goods is done for goods that have not been supplied.
- A. Fraudulent disbursement
  - B. Misappropriation of funds
  - C. Misapplication of funds
  - D. Fictitious disbursements
- (1 mark)
- 73 Which of the following statement is **ACCURATE** in regard to the effect on the current ratio?
- A. Failure to write off obsolete inventory would inflate the current ratio
  - B. Omission of expenses would not inflate the current ratio
  - C. Omission of expenses would understate the current ratio
  - D. Failure to write off obsolete inventory would understate the current ratio
- (1 mark)

- 74 Which one of the following statements is **NOT** an objective of a computer security risk assessment process?
- A. Detect computer security risks that make an organisation vulnerable to computer fraud
  - B. Quantify the impact if the risk materialised
  - C. Identify the risks that make an organisation vulnerable to computers and computer systems
  - D. Establish an economic balance between the impact if the risk materialised and the cost of the resources required
- (1 mark)
- 75 Which one of the following financial transactions can be used to overstate revenue?
- A. Recording revenue that has been earned but not received
  - B. Recording revenue to be earned in the subsequent accounting period
  - C. Matching revenue with the respective expenses
  - D. Failure to record expenses incurred
- (1 mark)
- 76 Which one of the following statements is **NOT** accurate in regard to data classification control methods?
- A. Involves categorisation of data for effectiveness and efficient use
  - B. Involves assigning economic value to data and establishing a structured approach for data management
  - C. Involves determining appropriate controls that are commensurate to the risks assessed
  - D. Involves establishing strong controls to mitigate the risks assessed
- (1 mark)
- 77 Which one of the following is a method used to embezzle money a small amount at a time from many different accounts?
- A. Salami technique
  - B. Data diddling
  - C. Spoofing
  - D. Pretexting
- (1 mark)
- 78 Which one of the following is **NOT** a technique for detection of change order abuse?
- A. Reviewing any change orders submitted that has added extra items
  - B. Examining change orders that increase the scope or cost of the signed contract
  - C. Interviewing complaining contractors and unsuccessful bidders about the presence of red flags
  - D. Examining change orders that decrease the scope or cost of the signed contract
- (1 mark)
- 79 Procurement fraud scheme where the cost of the contract exceeds the contract value is called \_\_\_\_\_.
- A. material mischarges
  - B. accounting mischarges
  - C. substandard goods
  - D. defective pricing
- (1 mark)
- 80 Which one of the following is **NOT** a recommended step that businesses should take to protect their customers and employees from identity theft?
- A. Conduct regular employee training on best practices regarding the handling of information
  - B. Retain personal information for as long as possible
  - C. Require employees to use complex passwords or passphrases
  - D. Retain personal information only for the period required
- (1 mark)
- 81 The cyber security incident response plan should be created and implemented during which step?
- A. Preparation step
  - B. Planning step
  - C. Containment and eradication step
  - D. Recovery and follow-up step
- (1 mark)
- 82 Which one of the following is an example of identity theft that involves a criminal suspect identifying themselves as another person?
- A. Criminal identity theft
  - B. Impersonation identity theft
  - C. Business identity theft
  - D. Fabricated identity theft
- (1 mark)



- 83 Which one of the following transactions would **NOT** conceal misappropriation of cash?
- A. Reducing owners' equity
  - B. Creating an expense
  - C. Decreasing a liability
  - D. Decreasing an asset
- (1 mark)
- 84 Which of the following is the **MOST** effective method of detecting payments of bribes to procuring entity's employees?
- A. Life style audits
  - B. Interviewing employees
  - C. Audit tests
  - D. Integrity tests
- (1 mark)
- 85 Which one of the following scenario is an example of a conflict of interest?
- A. An employee has an undisclosed personal relationship with the director of a company that does business with his employer
  - B. An employee is related to a party that works for one of his company's vendors and discloses to his employee
  - C. An independent director does business with the organisation, the organisation is aware that he owns the company and the cost of the services are highly inflated
  - D. An employee working for an IT company works as a tour guide over the weekends but he does not disclose to his employer
- (1 mark)
- 86 Which one of the following accounts is **MOSTLY** affected by personal purchases billing schemes?
- A. Travel and accommodation account
  - B. Payroll account
  - C. Repairs and maintenance
  - D. Printing and stationery
- (1 mark)
- 87 Which of the following organisation is likely to record substantial fictitious revenue?
- A. A private company
  - B. A public limited company
  - C. A government ministry
  - D. A limited partnership
- (1 mark)
- 88 Which one of the following statements is **ACCURATE** in regard to quick ratio?
- A. Quick ratio is calculated by dividing realisable receivables, cash, bank and financial securities with current liabilities
  - B. Quick ratio is calculated by dividing total receivables, cash, bank and financial securities with current liabilities
  - C. Quick ratio is calculated by dividing total receivables, cash, bank and financial securities with total liabilities
  - D. Quick ratio is calculated by dividing total receivables, inventory, cash, bank and financial securities current liabilities
- (1 mark)
- 89 Which one of the following situation is an obvious red flag of a new account fraud?
- A. A new customer personal account and immediately requests two ATM cards
  - B. A customer opens a business account and soon after has payroll transactions on the account
  - C. A customer deposits a substantial amount of funds in a new personal account and withdrawals the money in equal instalments
  - D. An invalid address or phone number is listed as customer's account information
- (1 mark)
- 90 Which one of the following is **NOT** a type of inadequate disclosure scheme related to financial reporting?
- A. Undisclosed legal liability
  - B. Undisclosed related party's transactions
  - C. Undisclosed omission of expenses
  - D. Undisclosed changes in reporting entities
- (1 mark)

- 91 Which one of the following statements is **ACCURATE** in regard to the first step of risk assessment related to computers and computer systems?
- A. Identifying physical and digital assets that need to be protected
  - B. Determining the value of each asset
  - C. Recommending the counter-measures and other remedial activities
  - D. Identifying the risks and threats of each asset and calculating the probability of each risk materialising
- (1 mark)
- 92 With regard to health care fraud which of the following statements **BEST** describes fictitious provider scheme?
- A. A fraudster steals a health care provider's identification information and bills a government health care program under the name of a fake clinic
  - B. A provider operates a mobile lab that bills a health care program for unnecessary tests
  - C. A doctor at a hospital inflates the cost of services by coding them as being more complex than they should be
  - D. A group of people posing as medical professionals provide services without proper licenses
- (1 mark)
- 93 Which one of the following statements is **NOT** accurate in regard to log management analysis?
- A. Provides information for auditing purposes
  - B. Provides evidence for investigation purposes
  - C. Provides support in investigations
  - D. Can help to detect operational trends and long-term trends
- (1 mark)
- 94 Tom is an employee of ABC Company. He formed a company called Rex Corp. Rex Corp does not conduct any business operations. Tom uses the company to pass business for his ABC Company. Which one of the following **BEST** describes the fraud scheme that Tom was perpetrating?
- A. Conflict of interest
  - B. Purchases for personal use scheme
  - C. Shell company scheme
  - D. Billing scheme
- (1 mark)
- 95 Which one of the following is a method of overstating revenue?
- A. Channel stuffing
  - B. Warranty costs and product
  - C. Capitalising expenses
  - D. Omitting liabilities/expenses
- (1 mark)
- 96 Camila received a voice mail saying that somebody is trying to use his account fraudulently through Internet banking. Which of the following **BEST** describes this social engineering scheme?
- A. Phishing
  - B. Vishing
  - C. SmiShing
  - D. Pharming
- (1 mark)
- 97 James an employee of a person-to-person payment company, has been stealing account numbers and passwords of customer accounts with the intent of fraudulently using them to make online payments. Which of the following describes the fraudulent scheme?
- A. Internet fraud
  - B. Credit card fraud
  - C. Debit card fraud
  - D. Accounts take over
- (1 mark)
- 98 Which of the following techniques **BEST** describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Detection intrusion system
  - B. Network security system
  - C. Application Security
  - D. Penetration test
- (1 mark)
- 99 Which one of the following is an illegal method of gathering information from competitors?
- A. Placing a mole in a company
  - B. Espionage
  - C. Competitive Intelligence
  - D. Human Intelligence
- (1 mark)

- 100 The type of fraud that targets groups of people who have some social connection such as neighborhood, professional association of racial minorities or immigrant groups, is referred to as \_\_\_\_\_.
- A. consumer fraud
  - B. ponzi scheme
  - C. charity schemes
  - D. affinity
- (1 mark)

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**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 22 April 2024. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Crescent Ltd has established a task force to develop a programme for safeguarding proprietary information (SPI). Which one of the following steps should the task force take first?
  - A. Encrypt all sensitive data
  - B. Shred sensitive documents
  - C. Determine what information should be protected
  - D. Develop an employee awareness programme(1 mark)
2. Which one of the following terms **BEST** describes the virus that loads itself onto the target system's memory, infects other files and then unloads itself?
  - A. Network virus
  - B. Direct-action virus
  - C. Boot sector virus
  - D. Resident virus(1 mark)
3. The following are red flags of health care provider fraud, **EXCEPT** \_\_\_\_\_.
  - A. Unusually high revenue turnover compared to similar businesses
  - B. Unusually few number of claims for reimbursement
  - C. Pressure for processing of bills or claims
  - D. Altered medical and claims records(1 mark)
4. The statement of changes in owners' equity acts as a link between which two financial statements?
  - A. Balance sheet and statement of retained earnings
  - B. Income statement and statement of cash flows
  - C. Statement of cash flows and balance sheet
  - D. Income statement and balance sheet(1 mark)
5. Which one of the following is an example of an off-book fraud?
  - A. Personal purchases billing scheme
  - B. Billing schemes
  - C. Ghost employee schemes
  - D. Cash theft(1 mark)
6. Which one of the following financial statement fraud schemes does not describe improper asset valuation scheme?
  - A. Writing off obsolete inventory
  - B. Recording fictitious assets
  - C. Overstated accounts receivable
  - D. Capitalising expenses(1 mark)

7. Which one of the following financial fraud schemes involves improper recognition of revenue such as recording revenue that has not been earned?
- A. Overstated revenue
  - B. Fictitious revenue
  - C. Timing differences
  - D. Improper disclosures
- (1 mark)
8. Which one of the following strategies is **NOT** a method used to make corrupt payments?
- A. Gifts, travel and entertainment
  - B. Payment toward credit card debt
  - C. Checks and other financial instruments
  - D. A loan plus interest payable by the procuring entity employee
- (1 mark)
9. Which one of the following terminologies refers to the illegal means of acquiring information of another company for business purpose?
- A. Corporate espionage
  - B. Competitive intelligence
  - C. Technical surveillance
  - D. Business espionage
- (1 mark)
10. Which one of the following statements is **NOT** an example of a corruption scheme?
- A. Head of credit promises to approve a contractor's loan application in exchange for expensive renovations in their home
  - B. A procurement manager refuses to award contracts to vendors unless they agree to do business with the company where the manager is a partner
  - C. An accountant approves fraudulent invoices and issues payments and later shares proceeds with the payees
  - D. A contractor pays for an expensive holiday for government purchasing agent as a gratitude for awarding the contractor an award
- (1 mark)
11. Melisa, an employee of ABC company falls down while at work. She is unharmed but pretends to suffer an injury from the fall. She files a claim against the company's workers' compensation insurance policy and collects payments from the insurance company. She also absconds duty for two months.
- Which one of the following **BEST** describes Melisa's scheme?
- A. Claimant fraud
  - B. Organised fraud
  - C. Premium fraud
  - D. Insurance fraud
- (1 mark)
12. Which one of the following statements is **NOT** correct in regard to the methods typically used for paying kickbacks?
- A. Payers often make kickback payments by offering recipients loans on very favourable terms
  - B. Payers often make kickback payments by paying off the recipient's credit card debt
  - C. Payers often make kickback payments by selling a prime property to recipients at market value
  - D. All of the above
- (1 mark)
13. Which one of the following types of procurement fraud schemes involves procurement employees convincing their employer to procure excessive or unnecessary products or services?
- A. Asset misappropriation schemes
  - B. Bid rigging
  - C. Need recognition schemes
  - D. Bid specification schemes
- (1 mark)
14. Which one of the following statements is **NOT** an appropriate method of identity theft prevention for businesses?
- A. Limiting employees from accessing personal information of customers
  - B. Restricting the use of laptops to those employees who need them to do their jobs
  - C. Conducting background checks on prospective employees
  - D. Performing information handling audits for compliance purposes only
- (1 mark)

15. ABC Company does a substantial amount of business with another entity whose operating policies can be controlled by ABC Company's management, but it does not disclose this situation on its financial statements.

Which one of the following phrases **BEST** describes the ABC Company financial statement fraud?

- A. Related-party transaction
  - B. Significant event
  - C. Improper disclosure of important information
  - D. Change of accounting policies
- (1 mark)

16. Which one of the following terminologies **BEST** refers to a technical security control that involves application controls implemented to prevent data from being accessed, stolen, modified or deleted by unauthorised users?

- A. Multifactor authentication
  - B. Network security
  - C. Application security
  - D. Data classification
- (1 mark)

17. Which one of the following terminologies **BEST** refers to data classification policy?

- A. Technical security control
  - B. Application security control
  - C. Administrative security control
  - D. Physical security control
- (1 mark)

18. Which one of the following options is **NOT** a type of an effective administrative security control?

- A. Data classifications
  - B. Computer security risk assessment
  - C. Computer security investigations
  - D. Incident response plans
- (1 mark)

19. Which one of the following financial statement fraud schemes involves recording expenses in the wrong period?

- A. Overstating expenses
  - B. Timing differences
  - C. Improper disclosures
  - D. Concealed expenses
- (1 mark)

20. A fraud scheme in which an accountant fails to write off obsolete inventory has which one of the following effects on the company's current ratio?

- A. The current ratio will be inflated
  - B. The current ratio will not be affected
  - C. The current ratio will be artificially deflated
  - D. All the above
- (1 mark)

21. Which one of the following statements is the purpose of draw requests in construction lending?

- A. Documentation that all architectural and engineering designs and quotes have been completed
  - B. Documentation that the design is approved by architects
  - C. Documentation of costs incurred to facilitate reimbursement
  - D. Documentation to seek additional funding from the bank
- (1 mark)

22. Which one of the following methods is **NOT** a common method for concealing liabilities and expenses on a company's financial statements?

- A. Capitalising expenses
  - B. Omitting liabilities/expenses
  - C. Recording fictitious expenses and liabilities
  - D. Failure to disclose warranty costs and product-return liabilities
- (1 mark)

23. Which one of the following statements is **NOT** a type of accounting changes that must be disclosed in an organisation's financial statements?

- A. Changes in accounting principles
  - B. Changes in reporting entities
  - C. Changes in estimates
  - D. Related party transactions
- (1 mark)

24. Which one of the following statements is **NOT** a recommended method for prevention of electronic payments fraud?
- A. Applying ACH blocks and filters
  - B. Having separate bank accounts for paper checks and electronic payments
  - C. Positive pay for ACH transactions
  - D. Having one bank account for checks and electronic payments
- (1 mark)
25. Which one of the following items are presented as the first line item on the statement of profit or loss?
- A. Net sales
  - B. Sales
  - C. Operating expenses
  - D. Cash at bank
- (1 mark)
26. Debora, a Certified Fraud Examiner (CFE), was hired to serve as an expert witness in an alleged financial statement fraud. As part of her expert testimony, Debora explained how, under International Financial Reporting Standards (IFRS), management must make every effort to ensure that the company's financial statements are complete, neutral and free from error.
- Which one of the following concepts did Debora explain?
- A. Faithful representation
  - B. Going concern
  - C. Comparability
  - D. Consistency
- (1 mark)
27. Which one of the following options is **NOT** a method that dishonest contractors collude to beat the competitive bidding process?
- A. Submit token bids
  - B. Rotate bids
  - C. Submit bids that are competitive in price
  - D. Suppress bids
- (1 mark)
28. Which one of the following is a means of measuring the relationship between any two different financial statement amounts?
- A. Statement comparison
  - B. Relational comparison
  - C. Transaction detail analysis
  - D. Ratio analysis
- (1 mark)
29. If a fraudster uses the Chief Executive Officer's corporate email to impersonate him and then asks an accountant to make a wire transfer, which one of the following terms **BEST** describes this method of social engineering scheme?
- A. Pharming
  - B. Spear phishing
  - C. Business email compromise
  - D. All the above
- (1 mark)
30. Which one of the following statements is an indicator of a bid splitting scheme?
- A. Sequential purchases under the competitive bidding limits that are followed by change orders
  - B. Use of sole-source procurement contracts
  - C. Low employee turnover in an organisation's procurement department
  - D. Two or more purchases from the same supplier in amounts just above competitive bidding limits
- (1 mark)
31. Which one of the following statements is **NOT** a method that dishonest contractors collude to evade the competitive bidding process?
- A. Dividing the market among themselves
  - B. Alternate business among themselves on a rotational basis
  - C. Refrain from submitting bids
  - D. Competent bidders agree that each bidder to submit very competitive bids
- (1 mark)

32. The following are examples of fraud schemes perpetrated by health care institutions and their employees, **EXCEPT** \_\_\_\_\_.
- A. Up-coding of services
  - B. Improper contractual relationships
  - C. Billing for experimental procedures
  - D. Unintentional misrepresentation of the diagnosis
- (1 mark)
33. Which one of the following actions is a common way a procuring employee might engage in a bid manipulation scheme?
- A. Leaking of bids information
  - B. Extending bid opening dates with justification
  - C. Opening bids on the scheduled dates
  - D. Specification of narrow bids
- (1 mark)
34. Which one of the following statements is the **MOST** accurate description of logical access?
- A. The process by which users are allowed to access and use physical objects
  - B. The process by which computer systems' contents are encrypted
  - C. The process by which users can bypass application security over the software and libraries
  - D. The process by which users are allowed to use computer systems and networks
- (1 mark)
35. Which one of the following statements is **NOT** accurate in regard to steps of risk assessment related to computers and computer systems?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the third step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. Identifying the risks and threats of each asset and calculating the probability of each risk materialising is the first step of a risk assessment
- (1 mark)
36. Which one of the following statements is **NOT** accurate in relation to bank reconciliation statements?
- A. Bank reconciliation statements can help to detect cash embezzlement
  - B. Bank reconciliation statements can help to detect skimming of cash
  - C. A manipulated bank reconciliation is a red flag of asset misappropriation
  - D. Bank reconciliation statements cannot help to detect fraudulent disbursements
- (1 mark)
37. Which one of the following statements would be affected by capitalisation of expenditure?
- A. Statement of profit and loss and statement of financial position
  - B. Statement of profit and loss
  - C. Statement of financial position
  - D. Statement of profit and loss and statement of cash flow
- (1 mark)
38. Which one of the following is **NOT** a method that a fraudster can use to conceal theft of inventory?
- A. Writing off stolen inventory as scrap
  - B. Increasing the perpetual inventory balance
  - C. Adjusting the perpetual inventory records to decrease the balances
  - D. All the above
- (1 mark)
39. Which one of the following statements is **NOT** accurate in regard to the effect of fraudulent transactions on the current ratio?
- A. Failure to write off bad debts will result to an inflated current ratio
  - B. Omission of expenses will result to an inflated current ratio
  - C. Failure write off obsolete inventory will result to a deflated current ratio
  - D. All the above
- (1 mark)
40. Which one of the following options is **NOT** a method that is used to manipulate and destroy data?
- A. Availability of data
  - B. Disclosure of confidential information
  - C. Privilege escalation
  - D. Buffer overflow exploits
- (1 mark)



41. Which one of the following statements is **ACCURATE** in regard to cybercrime?
- A. Entering an altered or falsified data in the computer by an authorised employee, is a computer fraud offence
  - B. Modification of data by an authorised employee is a type of cybercrime
  - C. Unauthorised disclosure of data to an external party using the computer using the internet is a cybercrime
  - D. Computer forgery by an authorised person is cyber crime (1 mark)
42. Which one of the following statements is **ACCURATE** in regard to internet of things technology?
- A. IOT technology tends to focus more on security than innovative design
  - B. IOT technology tends to focus more on innovative design than privacy
  - C. IOT devices commonly connect to networks using inadequate security
  - D. IOT devices commonly connect to networks using adequate security (1 mark)
43. Which one of the following phrases refer to the method used to gain unauthorised access through the use of a secret point into the program?
- A. Malware software
  - B. Back door
  - C. Trap door
  - D. Salami techniques (1 mark)
44. Which one of the following is **NOT** a type of administrative security control?
- A. Intrusion detection software
  - B. Security awareness and education
  - C. Security reviews and audit
  - D. Security risk assessments (1 mark)
45. Apple and Green companies are major players in the construction industry. The two companies agree that Green company refrain from bidding a contract tender issued by a government entity. Which one of the following statements is a red flag of the scheme perpetrated by the two companies?
- A. Apple company sub-contracted Green company
  - B. There was a rotational bidding pattern observed
  - C. The bid price submitted by Apple company was competitive
  - D. Apple company did not sub-contract Green company (1 mark)
46. Which one of the following financial statement fraud schemes is **NOT** associated with financial position fraudulent reporting?
- A. Overstated receivables
  - B. Overstated revenue
  - C. Understated liabilities
  - D. Overvaluation of non-current assets (1 mark)
47. Which one of the following terms **BEST** refers to the type of corruption related to a public official receiving money from a contractor?
- A. Kickbacks
  - B. Commercial bribery
  - C. Official bribery
  - D. Conflict of interest (1 mark)
48. Which one of the following terms **BEST** refers to healthcare fraud scheme where the health provider bills for two procedures which are supposed to be one procedure?
- A. Unbundling
  - B. Up-coding
  - C. Fictitious billing
  - D. Overutilisation (1 mark)
49. Which one of the following statements is **NOT** a red flag of rotational bid rigging scheme?
- A. Competent bidders rotate token bids
  - B. Rotational bidding has a winning pattern
  - C. The price of the lowest bid is very high in comparison to the market price
  - D. Bidders bid each time the lowest (1 mark)

50. Which of the following statements is **NOT** accurate in regard to misrepresentation of the financial statements?
- A. Capitalisation of expenses will inflate the current ratio
  - B. Capitalising expenses would result to both inflated profit and overstated assets
  - C. Capitalising expenses would result to overstated assets
  - D. Capitalising expenses would result to understated expenses
- (1 mark)
51. Which one of the following loans is **NOT** a type of loan that frequently turns up in corruption cases?
- A. A legitimate loan given at market rate
  - B. A legitimate loan made on favorable terms
  - C. A legitimate loan in which a third party makes the loan payments
  - D. All the above
- (1 mark)
52. Which one of the following schemes is a common real estate fraud scheme?
- A. Draw requests
  - B. Fraudulent appraisals
  - C. Flopping schemes
  - D. Flipping schemes
- (1 mark)
53. Which one of the following strategies is a method of detecting off book schemes?
- A. Confirming customers' overdue account balances
  - B. Examining journal entries for receivable write-offs
  - C. Examining suspicious false inventory account credits
  - D. Examining all the accounts receivable balances
- (1 mark)
54. Karen, a fraud examiner is conducting fraud detection audits to look for possible fraudulent disbursements to ghost employees.
- Which one of the following actions is **NOT** a red flag of payment of ghost employees?
- A. Employees in the payroll but not in the human resource master file
  - B. The wage bill has suddenly increased
  - C. Employees in the human resource master file but not in the payroll
  - D. All the above
- (1 mark)
55. Which one of the following procurement fraud schemes **BEST** describes product substitution and inflated labor costs?
- A. Substandard goods and labor mischarges respectively
  - B. Material and labor mischarges respectively
  - C. Accounting and labor mischarges respectively
  - D. Bid manipulation
- (1 mark)
56. Which one of the following terms **BEST** refers to consumer fraud that targets small groups and communities with close ties?
- A. Affinity fraud
  - B. Pyramid schemes
  - C. Ponzi schemes
  - D. All the above
- (1 mark)
57. Which one of the following statements **BEST** describes technical surveillance?
- A. A method of gaining unauthorised access to a computer system using the backdoor
  - B. A method for gaining unauthorised access to a computer system using trapdoor
  - C. A method for gaining unauthorised access to a computer system using computer piggybacking
  - D. A method for gaining unauthorised access to a computer system through wire tapping
- (1 mark)
58. Which one of the following statements is **NOT** a common red flag of a bid tailoring scheme?
- A. Competitive bids are awarded to the same bidder
  - B. Only a few bidders respond to bid requests
  - C. A contract is rebid when fewer than minimum number of bids are received
  - D. There are unusually narrow specifications for the type of goods or services being procured
- (1 mark)

59. Which one of the following actions is **NOT** a method that a fraudster might use to conceal inventory shrinkage?
- A. Increasing the inventory book balance
  - B. Writing off stolen inventory as scrap
  - C. Physical padding of inventory
  - D. Decreasing the inventory book balance
- (1 mark)
60. Data security policy can **BEST** be described as \_\_\_\_\_.
- A. Physical security control
  - B. Technical security control
  - C. Administrative security control
  - D. Application security control
- (1 mark)
61. Which one of the following statements is a technique for detecting a nonconforming goods or services scheme?
- A. Reviewing the contractor's claims, invoices and supporting documents
  - B. Reviewing the number of qualified bidders who submitted proposals
  - C. Reviewing correspondence and contract files for indications of compliance regarding specifications
  - D. Identifying the source of the suspect goods or materials
- (1 mark)
62. Which one of the following statements is an appropriate technique of detecting product substitution?
- A. Comparing the direct and indirect labor account totals from the prior year to the current year
  - B. Reviewing the standard and actual labor rates to determine if there are any significant differences
  - C. Testing suspicious goods or materials by examining packaging, appearance and description
  - D. Examining the total hours expended on the contract and comparing them to hours billed
- (1 mark)
63. Which one of the following reasons is **NOT** common reason why people commit financial statement fraud?
- A. To justify salary increments and bonuses
  - B. To attract investors
  - C. To avoid negative market perception
  - D. To comply with financing covenants
- (1 mark)
64. Which one of the following phrases refers to the type of network security systems that are designed to supplement firewalls and other forms of network security by detecting malicious activity coming across the network or on a host?
- A. Intrusion prevention systems
  - B. Intrusion admission systems
  - C. Intrusion detection systems
  - D. Network access controls
- (1 mark)
65. Which one of the following statements is the **ACCURATE** definition of Trojan horse?
- A. Any software application that displays advertisements while it is operating
  - B. A program or command procedure that appears useful but contains hidden code that causes damage
  - C. A computer program that replicates itself and penetrates operating systems to spread malicious code to other computers
  - D. A type of software that collects and reports information about a computer user without the user's knowledge or consent
- (1 mark)
66. Which one of the following actions is **NOT** a red flag of a bid rigging?
- A. The winning bidder subcontracts work to losing bidders
  - B. Qualified contractors refrain from bidding
  - C. Prices change when a new contractor enters the market
  - D. There is a pattern of the last party to bid winning the contract
- (1 mark)
67. Which one of the following actions is an administrative security control that an organisation's management can implement?
- A. Backing up system files regularly
  - B. Installing a firewall for the network
  - C. Conducting security audit tests
  - D. Conducting security control investigations
- (1 mark)

68. Which one of the following components of an intellectual property security system allows organisations to assigning data value and sensitivity levels for viewing, editing and sharing of data?
- A. Data minimisation policies
  - B. Data classification policies
  - C. Encryption
  - D. Intellectual property security risk assessments
- (1 mark)
69. Which one of the following actions is a common method used by management to conceal liabilities and expenses to inflate the organisation's profits and current ratio?
- A. Improperly capitalisation of expenditure
  - B. Omission of expenses
  - C. Failing to disclose warranty costs and product-return liabilities
  - D. None of the above
- (1 mark)
70. If a fraudster wants to conceal the misappropriation of cash, which one of the following transactions will **NOT** result in a balanced accounting equation?
- A. Reducing revenue
  - B. Decreasing a liability
  - C. Adding an asset
  - D. Reducing an expense
- (1 mark)
71. In a financial statement fraud scheme, where capital expenditures are recorded as expenses rather than assets, what effect will these transactions have on the organisation's financial statements?
- A. Net income will be understated
  - B. Total assets will be overstated
  - C. Expenses will be understated
  - D. All of the above
- (1 mark)
72. Which one of the following is **NOT** an information security goal that an e-commerce system should endeavor to meet for its users and asset holders?
- A. Repudiation
  - B. Availability
  - C. Integrity
  - D. All the above
- (1 mark)
73. There are two methods of percentage analysis of detecting fraud in the financial statements. Which one of the following phrases **BEST** describes this analysis?
- A. Horizontal and vertical analysis
  - B. Average receivable ratio
  - C. Current ratio
  - D. Quick ratio
- (1 mark)
74. Which one of the following activities is **NOT** a recommended methodology for responding to cybersecurity incidents?
- A. Detection and analysis
  - B. Containment and eradication
  - C. Preparation
  - D. Investigations and follow up
- (1 mark)
75. Which one of the following objectives is a common reason why management might commit financial statement fraud?
- A. To increase performance bonuses
  - B. To meet set financial targets
  - C. To harm a competitor's reputation
  - D. To conceal asset misappropriation
- (1 mark)
76. Which one of the following statements is **NOT** correct in regard to corrupt payments?
- A. Most of the corrupt payments are off the book
  - B. Most of the corrupt payments are on the book
  - C. To detect corrupt payments, the investigator, need to focus at the point of receipt
  - D. All the above
- (1 mark)

77. Recording an expenditure as a capital expenditure rather than an expense, which one of the following statements is **CORRECT** in regard to financial reporting?
- A. The financial performance would be negatively affected
  - B. The financial position would be falsely overstated
  - C. Net profit would be falsely understated
  - D. The expenses would be falsely overstated (1 mark)
78. Which one of the following statements describes timing difference financial statement fraud scheme?
- A. Recording revenue based on the percentage of the construction project that is completed
  - B. Recognising revenue completed work in Year 1, though the revenue is in receivables
  - C. Recognising the cash revenue of the uncompleted job, as a client deposit
  - D. Recognising revenue in year 1 when the payment received though the work would be performed in the subsequent financial year (1 mark)
79. Which one of the following phrases **BEST** describes recognition of revenue in long term contracts?
- A. Received revenue percentage
  - B. Percentage of work completed method
  - C. Cost-to-completion method
  - D. Partial revenue method (1 mark)
80. Which one of the following statements is **CORRECT** in regard to fictitious revenue scheme?
- A. All accounts receivables, that are over thirty days, are red flags of fictitious revenue
  - B. Bad and doubtful debts are red flags of fictitious revenue schemes
  - C. Fictitious revenues must be recorded in a fictitious client's account
  - D. Fictitious sales are recorded as accounts payable (1 mark)
81. Which one of the following financial statement fraud schemes is a type of inadequate disclosure scheme?
- A. Anticipated legal liability in the subsequent financial year
  - B. Disclosed related party's transactions
  - C. Inflated inventory valuation
  - D. Disclosed change in reporting entities (1 mark)
82. Which one of the following statements **BEST** describes the difference between vertical and horizontal analysis?
- A. Vertical analysis expresses the percentage of component items to a specific base item while horizontal analysis analyses the percentage change in individual line items on a financial statement in financial year 1 to and financial year 2
  - B. Vertical analysis compares items on one financial statement to items on a different financial statement while horizontal analysis compares items on the same financial statement
  - C. Vertical analysis compares the performance of a holding company to its subsidiary while horizontal analysis compares different companies of the same size and in the same industry
  - D. Vertical analysis measures the relationship between any two different financial statement amounts while horizontal analysis examines the relationship between specific financial statement (1 mark)
83. Which one of the following statements **BEST** describes the difference between a Ponzi scheme and a pyramid scheme?
- A. In a pyramid scheme, old investors are paid with money from new investors
  - B. A Ponzi scheme operation involve recruiting new members
  - C. A pyramid scheme promotes itself as a pyramid whereas a Ponzi scheme promotes itself as an investment business
  - D. Pyramid schemes are legal and Ponzi schemes are illegal (1 mark)
84. Which one of the following choices is **NOT** a red flag of a Ponzi scheme?
- A. A business with no separation of duties, basically controlled by one individual
  - B. An investment that has a history of usual inconsistent returns influenced by fluctuations in financial markets
  - C. Time is of essence technique
  - D. An investment with unusual high or short-term returns with low risk (1 mark)

85. Which one of the following statements is **NOT** a red flag of procurement fraud schemes involving collusion among contractors?
- A. Major industry players submit consistently high prices for the bids
  - B. Major industry players submit bids each time lower than the other bidder
  - C. Bid prices go down when a new competitor enters the competition
  - D. Major industry players submit consistently high prices for the bidder
- (1 mark)

86. Which one of the procurement fraud schemes refers to high percentages of returns, missing compliance certificates and evidence of falsified inspection tests?
- A. Bid manipulation
  - B. Material mischarges
  - C. Forgery of inspection tests
  - D. Product Substitution scheme
- (1 mark)

87. Brenda, a research officer, went on field work in another country. She used her company credit card to pay for a business dinner at which she was entertaining a client. She was aware her employer would pay the credit card bill. Brenda saved the receipt and later filed an expense return form seeking reimbursement for the cost of the meal.

Which one of the following phrases **BEST** describes the fraud scheme perpetrated by Brenda?

- A. Double payment scheme
  - B. Misappropriation of company's funds
  - C. Fictitious expenses scheme
  - D. Multiple reimbursement scheme
- (1 mark)
88. Jack, a marketing manager, went on a business trip. He used the business credit card to pay dinner for his friends in an expensive hotel. He then submitted the receipt for the dinner with the legitimate business receipts from the trip and described the dinner as "client entertainment."

Which one of the following statements **BEST** describes the fraud scheme?

- A. An overstated expense scheme
  - B. Asset misappropriation
  - C. Mischaracterised expense scheme
  - D. A fraudulent expenses scheme
- (1 mark)
89. Which one of the following activities does **NOT** typically occur during the containment and eradication step of the recommended methodology for responding to cybersecurity incidents?
- A. Identifying all breaches that occurred
  - B. Notifying the appropriate internal personnel
  - C. Restoring control of the affected systems
  - D. Limiting the damage caused by the attack
- (1 mark)

90. Computer networks and communications are vulnerable to attack and disruption, therefore, management must put in place technical controls to protect systems against threats like unauthorised use, disclosure, modification, destruction or denial of service.

Which one of the following actions is **NOT** a type of technical security?

- A. Logical access control
  - B. Operating system security
  - C. Security audit tests
  - D. Network security
- (1 mark)
91. Which one of the following statements is **NOT** a red flag that a computer or network might have been accessed or compromised by an unauthorised person?
- A. An authorised user is denied access to an area in the network that is part of their role
  - B. Users receive a notification to update their system passwords before expiry date
  - C. A user in the IT department detects geographical irregularities in network traffic
  - D. Users are prompted to install unusual software or patches onto their computers
- (1 mark)

92. Which one of the following control systems is **NOT** a type of physical access control?  
 A. Biometric systems  
 B. Locks and keys  
 C. Electronic access cards  
 D. Logical access control (1 mark)
93. Which one of the following practices is **NOT** the best practice for responding to a cybersecurity incident?  
 A. Detection and analysis  
 B. Containment and eradication  
 C. Conducting cybersecurity investigations  
 D. Preparation (1 mark)
94. Which one of the following statements is **NOT** correct in regard to workers' compensation fraud schemes?  
 A. In an organised fraud scheme, a lawyer, a capper, a doctor and the claimant often collude to defraud the insurance company  
 B. In premium fraud, an employer might overstate the amount of the payroll for higher-risk employees  
 C. In an agent fraud scheme, agents sometimes issue certificates of coverage to the insured customer while pilfering the premium  
 D. All of the above (1 mark)
95. Which one of the following practices is the **BEST** for information security procedure to prevent loss of proprietary information?  
 A. Implementing data minimisation  
 B. Failure to implement data retention and destruction policies  
 C. Failure to protect documents maintained in manual file systems  
 D. Failure to implement data minimisation (1 mark)
96. Which one of the following terms refers to a scheme that involves payment of goods that have not been supplied?  
 A. Asset misappropriation  
 B. Corruption  
 C. Fraudulent disbursement  
 D. Fictitious disbursements (1 mark)
97. Which one of the following statements is **NOT** accurate in regard to fraudulent financial reporting, related to the financial performance of an organisation?  
 A. Failure to write off bad debts would inflate both the profits and the current ratio  
 B. Failure to accrue expenses would inflate both the profits and the current ratio  
 C. Failure to write off bad debts would inflate the profits and receivables  
 D. Failure to write off bad debts would not affect the current ratio (1 mark)
98. Which one of the following statements is an objective of a risk assessment process related to computers and computer systems?  
 A. Detect the risks that make an organisation vulnerable to fraud computers and computer systems  
 B. Quantify the impact if the risk materialised  
 C. Identify the risks that make an organisation vulnerable to computers and computer systems  
 D. Establish an economic balance between the impact if the risk materialised and the cost of the resources required (1 mark)
99. Which one of the following identity theft schemes **BEST** describes stealing of a credit card and using it to make personal payments from a victim's account?  
 A. Credit card fraud  
 B. Identity theft  
 C. Account takeover  
 D. Impersonation (1 mark)
100. Which one of the following phrases **BEST** refers to the fraud scheme that is often associated with a nonperforming loan?  
 A. Fraudulent disbursement  
 B. Employees collusion with customers  
 C. Fraudulent appraisals  
 D. Air loan (1 mark)
- .....



**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 4 December 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Which of the following is **NOT** an objective of a risk assessment process related to computers and computer systems?
  - A. Investigate the risks that make an organisation vulnerable to fraud
  - B. Quantify the impact if the risk materialised
  - C. Establish an economic balance between the impact if the risk materialised and the cost of resources required
  - D. None of the above(1 mark)
2. Which of the following statement is **ACCURATE** in regard to fraudulent financial reporting?
  - A. Failure to write off bad debts would cause overstatement of receivables
  - B. Failure to write off bad debts would cause understatement of the current ratio
  - C. Failure to accrual expenses would cause understatement of liabilities
  - D. None of the above(1 mark)
3. Which of the following method of bribery payment **BEST** describes how large amounts of bribes are disbursed and are hard to detect?
  - A. Entertainment
  - B. Expensive vacations
  - C. Property sold below the market value
  - D. None of the above(1 mark)
4. Healthcare providers defraud insurance companies and government health programmes through intentional separation of one procedure into two procedures. Which of the following **BEST** describes the healthcare providers' fraud scheme?
  - A. Up-coding scheme
  - B. Fictitious services
  - C. Fictitious procedures
  - D. None of the above(1 mark)
5. There are several financial statement fraud schemes that are perpetrated by management to inflate the organisation's liquidity ratio. Which of the following **BEST** describes the fraud scheme?
  - A. Overstatement of current liabilities
  - B. Overstatement of revenue/ receivables
  - C. Overstatement of non-current assets
  - D. Understatement of non-current assets(1 mark)
6. Which of the following would result in an improper valuation of inventory?
  - A. Writing off obsolete inventory
  - B. Recording perpetual inventory balance which is higher than the physical balance
  - C. Recording physical inventory balance which is lower than the perpetual inventory
  - D. None of the above(1 mark)



7. Which of the following statements is **NOT** accurate in regard to steps of risk assessment related to computers and computer systems?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the third step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. None of the above
- (1 mark)
8. Which of the following is **NOT** a red flag of financial statement fraud?
- A. Normal revenue growth
  - B. Unrealistic targets
  - C. Negative cash flow balances while reporting profits
  - D. None of the above
- (1 mark)
9. Conrad received a voice mail saying that somebody is trying to use his account fraudulently through Internet banking. Which of the following **BEST** describes this social engineering scheme?
- A. Phishing
  - B. Smishing
  - C. Pharming
  - D. None of the above
- (1 mark)
10. Separation of duties is fundamental to data security. Which of the following is **NOT** a recommended practice in relation to separation of duties?
- A. Application system users should only be granted access to those functions and data required for their job duties
  - B. System users should not have direct access to program source code
  - C. System users cannot have direct access to program source code
  - D. None of the above
- (1 mark)
11. Procurement fraud is perpetrated in the cause of a procurement process. Which of the following is **NOT** a procurement fraud scheme committed during the submission of bids?
- A. Bid rotation
  - B. Splitting of bids
  - C. Complementary bids
  - D. Bid suppression
- (1 mark)
12. XYZ government agency planned and budgeted for one hundred vehicles. The procurement department developed the specifications for the vehicles and their accessories, but they were developed as separate specifications and therefore increasing the total cost of the motor vehicles. Which of the following **BEST** describes this type of procurement fraud scheme?
- A. Bid specification scheme
  - B. Bid manipulation scheme
  - C. Bid splitting scheme
  - D. None of the above
- (1 mark)
13. Which of the following statements is **NOT** a red flag of bid splitting?
- A. Similar or identical procurements from the same supplier in amounts just slightly over the competitive bidding limits
  - B. Consecutive related procurements from several contractors that are within the competitive-bidding or upper-level review limits
  - C. Justifiable split purchases that fall under the competitive-bidding or upper-level review limits
  - D. None of the above
- (1 mark)
14. Which of the following statement is **ACCURATE** in regard to Business email compromise schemes identified by FBI?
- A. BEC (Business email compromise) is a type of vishing phishing
  - B. BEC (Business email compromise) is a type of malware
  - C. BEC (Business email compromise) is a type of spear engineering
  - D. None of the above
- (1 mark)

15. Which of the following statement is **ACCURATE** in regard to red flags of bid tailoring scheme?
- A. Explained changes in contract specifications from previous proposals or similar items
  - B. Good number of competitive bids or awards to several bidders
  - C. Specifications developed by or in consultation with a contractor who is permitted to compete in the procurement
  - D. None of the above
- (1 mark)
16. Which of the following is **NOT** a red flag of bid rigging by contractors?
- A. Competent bidders refrain from bidding
  - B. Vendors submit complementary bids
  - C. There is noticeable pattern of winning bids
  - D. None of the above
- (1 mark)
17. Which of the following is **NOT** a type of administrative security and controls?
- A. Data classification
  - B. Incidence response plans
  - C. Computer security audits and tests
  - D. None of the above
- (1 mark)
18. Which of the following technique **BEST** describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Detection intrusion system
  - B. Network security system
  - C. Application Security
  - D. None of the above
- (1 mark)
19. ABC computer company and another four companies agreed to inflate the cost of a bid, by the other six companies submitting bids each time the lowest where ABC supposedly bidding the lowest. In comparison with the market price, the cost of the lowest bid was very high. Which of the following **BEST** describes the type of procurement scheme ABC Computer company and the other six companies were involved in?
- A. Bid suppression
  - B. Complementary scheme
  - C. Bid market division
  - D. None of the above
- (1 mark)
20. Which of the following statement is **NOT** accurate in regard to social engineering?
- A. Phishing is a type of social engineering scheme that involves impersonating a trusted individual or entity and manipulating victims into providing sensitive
  - B. A vishing scheme is generally transmitted as an incoming recorded telephone message
  - C. Smishing is phishing using voice messages through social engineering
  - D. None of the above
- (1 mark)
21. Which of the following is **NOT** a red flag of a bid specification scheme?
- A. Bid suppression schemes
  - B. Narrow specifications for the type of goods or services being procured
  - C. Splitting of bids
  - D. Broad specifications for the type of goods or services being procured
- (1 mark)
22. Which of the following is **NOT** a red flag of malware infection?
- A. The system suddenly, and for no apparent reason, slows down its response time to commands
  - B. The computer stops responding or locks up frequently
  - C. The operating system or other programs and applications behave in a predictable manner
  - D. None of the above
- (1 mark)
23. Which of the following is **NOT** a prevention measure against infection from a malicious program?
- A. Use malware software to scan all incoming email messages and files
  - B. Regularly update the computer with the latest security patches available for the operating system
  - C. Organisations should develop corporate prevention policies and an employee education program to inform employees of how malware is introduced and what to do when there is suspicion of malware
  - D. None of the above
- (1 mark)

24. Under the IFRS, recognising a long-term project revenue that has not been earned, can **BEST** be described as which of the following financial statement fraud schemes?
- A. Fictitious revenue scheme
  - B. Improper revenue recognition
  - C. Understated receivables scheme
  - D. None of the above
- (1 mark)
25. Which of the following **BEST** describes the method of spying on another company's activities by placing a person in that entity to gather information and pass to the party that has retained him?
- A. Overt operations
  - B. Surveillance
  - C. Covert operations
  - D. Competitive intelligence
- (1 mark)
26. Which of the following statement is **ACCURATE** in regard to contract performance mischarges?
- A. Material mischarges are more susceptible than labor mischarges
  - B. Accounting mischarges are more susceptible than labor mischarges
  - C. Labor and material mischarges are equally susceptible to mischarges
  - D. None of the above
- (1 mark)
27. Which of the following statement is **NOT** accurate in relation to bank reconciliation statements?
- A. Bank reconciliation statement can help to detect cash embezzlement
  - B. Bank reconciliation statement cannot help to detect skimming cash
  - C. A manipulated bank reconciliation is both a red flag and a risk of asset misappropriation
  - D. None of the above
- (1 mark)
28. Which of the following statement is **ACCURATE** in regard to the effects of financial statements attributed to capitalisation of expenses?
- A. Capitalising expenses will overstate expenses
  - B. Capitalising expenses will understate assets
  - C. Capitalising expenses will understate profits
  - D. None of the above
- (1 mark)
29. Which of the following **BEST** describes procurement fraud schemes that involves a procurement employee engaging in the early opening of bids and unjustifiable delay of opening the bids?
- A. Bid suppression
  - B. Bid rotation
  - C. Bid manipulation
  - D. Bid solicitation scheme
- (1 mark)
30. An analysis of a company's revenue and cost of revenue revealed that the cost of revenue had increased by 70% the previous year. Revenue only increased by 20 %. This scenario is a red flag of which of the following?
- A. The number of purchases was lower than the previous year
  - B. Sales were low in the current year compared to the previous year
  - C. A poor marketing strategy
  - D. None of the above
- (1 mark)
31. Which of the following is a method that a fraudster might use to conceal inventory theft?
- A. Writing off stolen inventory as scrap
  - B. Increasing the perpetual inventory balance
  - C. Altering the perpetual inventory records to increase the balances
  - D. None of the above
- (1 mark)
32. Which of the following statement is **NOT ACCURATE** in regard to the effect of fraudulent transactions on the current ratio?
- A. Overstated receivables will result to an inflated current ratio
  - B. Overstated current liabilities will result to an inflated current ratio
  - C. Overvaluation of inventory will result to an inflated current ratio
  - D. None of the above
- (1 mark)

33. Which of the following is **NOT** a method that is used to manipulate and destroy data?  
A. Modification of data  
B. Disclosure of confidential information  
C. Privilege escalation  
D. None of the above (1 mark)
34. Which of the following is **ACCURATE** in regard to cybercrime?  
A. Entering an altered or falsified data in the computer by an authorised employee, is a type of cybercrime  
B. Modification of data by an authorised employee is a type of cybercrime  
C. Unauthorised disclosure of data to an external party using the computer  
D. None of the above (1 mark)
35. Which of the following is **NOT** a method used to destroy and manipulate data?  
A. Launching a buffer overflow exploits  
B. Limiting access privileges  
C. Transmitting data to unauthorised destination  
D. None of the above (1 mark)
36. Which of the following is **ACCURATE** in regard to internet of things technology?  
A. IOT technology tends to focus on security  
B. IOT technology tends to focus on privacy rather than innovative design  
C. IOT devices commonly connect to networks using adequate security  
D. None of the above (1 mark)
37. Which of the following describes the method used to gain unauthorised access through the use of a secret point into the program  
A. Trojan horse code  
B. Back door  
C. Salami techniques  
D. None of the above (1 mark)
38. Which of the following is **NOT** a type of administrative security controls?  
A. Security policies and procedures  
B. Security awareness and education  
C. Security reviews and audit  
D. None of the above (1 mark)
39. Both ABC and XYZ companies are major players in the construction industry. ABC company paid XYZ company an inducement to refrain from bidding for a contract tender issued by a government entity. Which of the following **BEST** describes the procurement scheme perpetrated by ABC and XYZ companies?  
A. Both ABC and XYZ engaged in bid suppression  
B. Both ABC and XYZ engaged in bid rigging  
C. Both ABC XYZ engaged in market division  
D. None of the above (1 mark)
40. Which of the following financial statement fraud scheme is **NOT** associated with financial position fraudulent reporting?  
A. Overvaluation of non- current assets  
B. Concealment of liabilities  
C. Inadequate disclosure  
D. Improper valuation of receivable (1 mark)
41. Which of the following **BEST** describes the form of corruption where a public official receives money and uses his position to influence a decision or an act?  
A. Bribery  
B. Commercial Bribery  
C. Reward or advantage  
D. Official bribery (1 mark)

42. Which of the following **BEST** describes a healthcare fraud scheme in which a provider bills for a higher level of service than they actually provided
- A. Bribery
  - B. Overutilisation
  - C. Fictitious billing
  - D. None of the above
- (1 mark)
43. Which of the following statement **BEST** describes a bid rotation procurement scheme?
- A. Competitive bidders fail to bid
  - B. Bidders issue complementary bids
  - C. Bidders issue shadow bids
  - D. None of the above
- (1 mark)
44. Which of the following is **NOT** a red flag of bid rotation scheme?
- A. Bidders bid each time lower
  - B. Competent bidders refrain from bidding
  - C. Extremely high prices of bids even for the lowest bid
  - D. None of the above
- (1 mark)
45. Which of the following statement is **ACCURATE** in regard to fraudulent financial reporting?
- A. Capitalising expenses would result to inflated current ratio
  - B. Capitalising expenses would result to both inflated profit and current ratio
  - C. Capitalising expenses would result to understated assets
  - D. None of the above
- (1 mark)
46. Research and development personnel often accidentally divulge confidential information through various methods. Which of the following is **NOT** one of them?
- A. Discussions at conferences
  - B. Hiring outside academic professionals
  - C. Industry journals
  - D. None of the above
- (1 mark)
47. Favorite targets for intelligence-gathering purposes include employees in all of the following departments, **EXCEPT**:
- A. Marketing
  - B. Research and development
  - C. Stores and warehouse
  - D. Purchasing
- (1 mark)
48. Which of the following is the **CORRECT** calculation of the quick ratio?
- A.  $(\text{Cash} + \text{marketable securities}) / \text{accounts payable}$
  - B.  $\text{Current assets} / \text{current liabilities}$
  - C.  $(\text{Cash} + \text{receivables}) / \text{current liabilities}$
  - D.  $(\text{Cash} + \text{marketable securities} + \text{receivables}) / \text{current liabilities}$
- (1 mark)
49. Tracy is a successful business lady, she has been informed of an unusually attractive investment opportunity by a friend and decides to invest in it. For several months no payment came in, Tracy got frustrated with the diminishing disbursements and attempts to withdraw her money. After several weeks of delay, she realised that the promoter seems to have vanished, along with her investment. Tracy is a victim of which of the following investment fraud scheme?
- A. Pyramid scheme
  - B. A Ponzi scheme
  - C. A dog and pony scam
  - D. An illegal pyramid
- (1 mark)
50. Which of the following **BEST** describes how a baiting scheme works in the context of identity theft?
- A. Fraudsters use imitation websites to deceive computer users into entering sensitive data
  - B. Fraudsters use telephone calls or voice messages to manipulate people into revealing personal or business information
  - C. Fraudsters impersonate the victim's bank to persuade the victim into releasing information
  - D. Fraudsters deceive victims into inserting data storage devices that have been infected with malware into their computers
- (1 mark)

51. Workers' compensation schemes are generally broken into four categories. Which of the following is **NOT** one of these categories?
- A. Agent fraud
  - B. Premium fraud
  - C. Claimant fraud
  - D. None of the above
- (1 mark)
52. When should an employee **NOT** be made aware of the need to maintain the confidentiality of an organisation's proprietary information, as well as which information is considered confidential?
- A. During induction
  - B. During an exit interview
  - C. When signing a nondisclosure agreement
  - D. None of the above
- (1 mark)
53. Which of the following is **NOT** a type of loan that frequently turns up in corruption cases?
- A. A legitimate loan made below market
  - B. A legitimate loan made on favorable terms
  - C. A legitimate loan in which a third party makes the loan payments
  - D. None of the above
- (1 mark)
54. Which of the following is **NOT** an example of a business email compromise (BEC) scheme?
- A. Fraudsters use the compromised email account of an executive to request employees' personally identifiable information from the person who maintains such information
  - B. Fraudsters use the compromised email account of a high-level executive to pose as the executive and ask an employee to transfer funds to the fraudsters' account
  - C. Fraudsters posing as a company's foreign supplier send an email to the company and request that funds be transferred to an alternate account controlled by the fraudsters
  - D. Fraudsters use botnets to send massive amounts of emails for the purpose of enticing the recipients to click on a fraudulent URL
- (1 mark)
55. Which of the following is **NOT** a red flag of health care provider fraud?
- A. Consistently low percentage of low coding
  - B. Details in supporting documents that are inconsistent with the claim
  - C. Lack of supporting documentation for claims under review
  - D. Patient medical records are not attached to the claim form
- (1 mark)
56. Which of the following scheme **BEST** describes unqualified borrowers who misrepresent personal creditworthiness, overstate their ability to pay, and misrepresent characteristics of the housing unit to qualify for a loan.
- A. Reciprocal loan arrangements
  - B. Credit data blocking
  - C. Residential loan fraud
  - D. Double-pledging collateral
- (1 mark)
57. If a fraudster wants to conceal the removal of a liability from the books, which of the following actions will **NOT** balance the accounting equation?
- A. Increasing revenue
  - B. Increasing owners' equity
  - C. Increasing a different liability
  - D. Increasing an asset
- (1 mark)
58. Which of the following situations is often present in real estate fraud schemes?
- A. The services of an arm's-length legal representative
  - B. No expert assistance at closing
  - C. A false appraisal report
  - D. All of the above
- (1 mark)
59. Which of the following is **NOT** a method of detecting a skimming scheme?
- A. Confirming customers' overdue account balances
  - B. Examining journal entries for accounts receivable write-offs
  - C. Examining journal entries for false credits to inventory
  - D. None of the above
- (1 mark)

60. Which of the following describes the primary purpose of an automated clearing house (ACH) filter?
- A. It enables account holders to provide their banks with a list of criteria to ensure that only designated individuals are paid
  - B. It requires the bank to contact the account holder before any payments are made
  - C. It is a tool used by auditors to examine electronic payment activity on the bank records
  - D. It matches the details of incoming payments with those on a list of expected payments provided by the account holder (1 mark)
61. Which of the following is **NOT** a method which an electronic funds transfer (EFT) fraud scheme can be perpetrated?
- A. A person who has stolen information about another person's bank account instructs a biller to obtain payment from that account
  - B. An employee of a person-to-person (P2P) provider misappropriates a customer's account and password information
  - C. A hacker obtains the account and password information of consumers to direct funds from their accounts
  - D. None of the above (1 mark)
62. Julia, a fraud examiner, is performing fraud audits to look for potential asset misappropriation schemes at her company. One of her routine tests is to compare the payroll records to the human resources (HR) files. What type of fraud scheme is she **MOST** looking for?
- A. Payment scheme
  - B. Commissions scheme
  - C. A falsified hours and wages scheme
  - D. A ghost employee scheme (1 mark)
63. Which of the following lists the information security goals that an e-commerce system should achieve for its users and asset holders?
- A. Penetrability, accuracy, exactness, materiality, and systems reliability
  - B. Exactness, invulnerability, accuracy, materiality, and data/systems response
  - C. Penetrability, accuracy, availability, authentication, and systems reliability
  - D. Confidentiality, integrity, availability, authentication, and non-repudiation (1 mark)
64. Which of the following is **NOT** an insurance agent/broker fraud?
- A. Fictitious payees
  - B. Fictitious death claims
  - C. Premium theft
  - D. None of the above (1 mark)
65. A contractor who delivers materials of substandard quality than specified in the contract or uses a lower quality staff than specified in the contract might be involved in which of the following types of procurement fraud schemes?
- A. Product fraud
  - B. Material and labor mischarges
  - C. Labor mischarging fraud
  - D. Material mischarging fraud (1 mark)
66. Which of the following does **NOT** describe target of an affinity fraud scheme?
- A. Professional associations
  - B. Large organisation
  - C. Immigrant groups
  - D. Religious communities (1 mark)
67. There are two methods for recognising revenue on long-term construction contracts. Which of the following is one of those methods?
- A. Contract-valuation method
  - B. Partial-contract method
  - C. Cost-to-completion method
  - D. None of the above (1 mark)

68. Remy receives a voice mail message telling him that his credit card might have been used fraudulently. He is asked to call a phone number. When he calls the number, he hears a menu and a list of choices that closely resembles those used by his credit card company. The phone number even appears to be similar to that of his card issuer. Which of the following types of schemes has Matthew become the target?
- A. Smishing
  - B. Pharming
  - C. Vishing
  - D. Spear phishing
- (1 mark)
69. Which of the following **BEST** describes social engineering?
- A. A method for gaining unauthorised access to a computer system in which an attacker hides near the target to obtain sensitive information that they can use to facilitate their intended scheme
  - B. A method for gaining unauthorised access to a computer system in which an attacker bypasses a system's security using an undocumented operating system and network functions
  - C. A method for gaining unauthorised access to a computer system in which an attacker deceives victims into disclosing personal information or convinces them to commit acts that facilitate the attacker's intended scheme
  - D. A method for gaining unauthorised access to a computer system in which an attacker searches through large quantities of available data to find sensitive information that they can use to facilitate their intended scheme
- (1 mark)
70. Which of the following types of accounts are increased by debits?
- A. Expenses
  - B. Liability
  - C. Owners' equity
  - D. Revenue
- (1 mark)
71. Connie finds a residential property with a nonresident owner. She then forges contractual property documents showing that the owner is transferring ownership of the property completely to her. The property owner is unaware that Connie has created and filed the documents. Later, Connie takes the falsified documents to a lender and borrows money against the property. Which of the following **BEST** describes Connie's scheme?
- A. Fraudulent Loan
  - B. Fraudulent sale
  - C. Fictitious loan
  - D. Property flipping
- (1 mark)
72. Which of the following is a recommended method that individuals should take to protect themselves from identity theft?
- A. Limit personal information shared on social media
  - B. Create unique answers for security questions
  - C. Use passwords that have at least eight characters
  - D. All of the above
- (1 mark)
73. Which of the following is **NOT** a common red flag of a bid tailoring scheme?
- A. Competitive awards vary among several suppliers
  - B. Only a few bidders respond to bid requests
  - C. A contract is not rebid even though fewer than the minimum number of bids are received
  - D. There are unusually broad specifications for the type of goods or services being procured
74. Which of the following scenarios is an example of a conflict of interest?
- A. An employee has an undisclosed personal relationship with a company that does business with their employer
  - B. An employee is related to someone who works for one of their company's vendors and informs their employer of the relationship
  - C. An employee for a pharmaceutical company has an economic interest in a company that does business with their employer and discloses it to their employer
  - D. An employee for a phone installation company works as a fishing guide on weekends but does not tell the phone company about the other job
- (1 mark)



75. Which of the following is **NOT** a method that a fraudster might use to conceal inventory shrinkage?
- A. Falsely increasing the perpetual inventory figure
  - B. Writing off stolen inventory as scrap
  - C. Physical padding of inventory
  - D. Altering the perpetual inventory records to decrease the balance
- (1 mark)
76. A data classification policy can **BEST** be described as a(n):
- A. Physical security control
  - B. Technical security control
  - C. Administrative security control
  - D. Application security control
- (1 mark)
77. Which of the following is **NOT** an appropriate technique for detecting a nonconforming goods or services scheme?
- A. Reviewing the contractor's statements, claims, invoices, and supporting documents
  - B. Reviewing the number of qualified bidders who submitted proposals
  - C. Reviewing correspondence and contract files for indications of noncompliance regarding specifications
  - D. Segregating and identifying the source of the suspect goods or materials
- (1 mark)
78. Which of the following is **NOT** an appropriate technique for detecting a cost mischarging scheme involving labor?
- A. Comparing the direct and indirect labor account totals from the prior year to the current year
  - B. Reviewing the standard and actual labor rates to determine if there are any significant differences
  - C. Inspecting questioned goods or materials by examining packaging, appearance, and description
  - D. Examining the total hours expended on the contract and comparing them to hours billed
- (1 mark)
79. Which of the following is **NOT** a common reason why people commit financial statement fraud?
- A. To demonstrate compliance with loan covenants
  - B. To encourage investment through the sale of stock
  - C. To cover inability to generate cash flow
  - D. None of the above
- (1 mark)
80. When looking at a set of financial statements, on which statement would you find notes payable, current assets, retained earnings, and accumulated depreciation?
- A. Income statement
  - B. Balance sheet
  - C. Statement of changes in owners' equity
  - D. Statement of cash flows
- (1 mark)
81. Which of the following refers to the type of network security systems that are designed to supplement firewalls and other forms of network security by detecting malicious activity coming across the network or on a host?
- A. Network address prevention systems
  - B. Network access controls
  - C. Intrusion admission systems
  - D. Intrusion detection systems
- (1 mark)
82. Shredding sensitive documents using a cross-cut shredder, sending and receiving mail at a secure site such as a post office box, and employing a perimeter security system at the office are all measures aimed to do which of the following?
- A. Prevent misappropriation of office supplies
  - B. Catch a fraudster in the act
  - C. Protect digital documentation
  - D. Guard manual file systems
83. Which of the following is the **MOST ACCURATE** definition of spyware?
- A. Any software application that displays advertisements while it is operating
  - B. A program or command procedure that appears useful but contains hidden code that causes damage
  - C. A computer program that replicates itself and penetrates operating systems to spread malicious code to other computers
  - D. A type of software that collects and reports information about a computer user without the user's knowledge or consent
- (1 mark)

84. Which of the following is **NOT** a red flag of a procurement fraud scheme in which vendors are colluding to evade the competitive bidding process?
- A. The winning bidder subcontracts work to losing bidders
  - B. Qualified contractors do not submit bids
  - C. There is a pattern indicating that the last party to bid wins the contract
  - D. None of the above
- (1 mark)
85. Which of the following is an administrative security control that an organisation's management can implement?
- A. Backing up system files regularly
  - B. Installing a firewall for the network
  - C. Issuing smart access cards to employees
  - D. Creating an incident response plan
- (1 mark)
86. Which of the following statements is **TRUE** regarding gross profit?
- A. Gross profit is the top line of the income statement
  - B. Gross profit is equal to net sales less cost of goods sold
  - C. Gross profit is another term for net income
  - D. Gross profit is equal to revenues minus operating expenses
- (1 mark)
87. A confidence scheme designed to part victims from their money by falsely promising the future delivery of a product or service in exchange for an up-front payment is called a(n):
- A. Scavenger scheme
  - B. Advance-fee scheme
  - C. Bait and switch scheme
  - D. Home-based business scheme
- (1 mark)
88. Sheila, an accounts payable supervisor for ABC Company, bought supplies for a company she owns on the side. Sheila entered vouchers in ABC's accounts payable system for the cost of the supplies so that ABC would pay for the supplies. The supplies were then drop-shipped to a location where Sheila could collect them. What type of occupational fraud is this?
- A. A personal purchase with company funds scheme
  - B. An expense reimbursement scheme
  - C. An invoice kickback scheme
  - D. A pay and return scheme
- (1 mark)
89. Which of the following steps is **NOT** taken during an account takeover scheme?
- A. Placing orders using funds from the overtaken account
  - B. Changing customer contact information on the overtaken account
  - C. Stealing account log-in information by sending phishing emails
  - D. None of the above
- (1 mark)
90. Which of the following is the **MOST ACCURATE** definition of a Trojan horse?
- A. A type of software that collects and reports information about a computer user without the user's knowledge or consent
  - B. A virus that changes its structure to avoid detection
  - C. A software program that contains various instructions that are executed every time a computer is turned on
  - D. A program or command procedure that appears useful but contains hidden code that causes damage
- (1 mark)
91. Which of the following could **NOT** be used to balance the accounting equation if cash were stolen?
- A. Increasing another asset
  - B. Reducing a liability
  - C. Reducing revenue
  - D. None of the above
- (1 mark)
92. Ron, a Certified Fraud Examiner (CFE), is an auditor for the government's Office of Audit and Evaluation. While conducting a routine audit of ten construction contracts from the Public Works Department, Ron notices some unusual characteristics in the contracts' bidding documents. The contracts were all awarded to the same contractor, and the specifications in all ten contracts had unreasonably narrow specifications for the types of goods being procured. Which of the following types of procurement fraud schemes is **MOST LIKELY** at issue here?
- A. A procurement employee has intentionally included unallowable costs in the projects' contracts and budgets

- B. A procurement employee divided a large project into several small projects that fall below the mandatory bidding level
- C. A procurement employee has drafted bid specifications in a way that gives an unfair advantage to a certain contractor
- D. A procurement employee convinced their employer that it needs excessive or unnecessary products or services (1 mark)
93. Which of the following is **NOT** a common method that fraudsters use to conceal liabilities and expenses to make a company appear more profitable than it is?
- A. Improperly capitalising costs
- B. Omitting liabilities or expenses
- C. Failing to disclose warranty costs and product-return liabilities
- D. None of the above (1 mark)
94. Which financial ratio is calculated by dividing current assets by current liabilities?
- A. Receivable turnover
- B. Quick ratio
- C. Current ratio
- D. Profit margin (1 mark)
95. If a fraudster wants to conceal the misappropriation of cash, which of the following actions will **NOT** result in a balanced accounting equation?
- A. Reducing owners' equity
- B. Decreasing a liability
- C. Decreasing another asset
- D. Creating an expense (1 mark)
96. Daniel, a plant manager for a utility company, also owns a commercial cleaning business. Daniel threatened to withhold business from any vendors of the utility company that did not hire her cleaning business for their office cleaning needs. Which of the following **BEST** describes the type of corruption scheme in which Daniel engaged?
- A. Collusion scheme
- B. Kickback scheme
- C. Economic extortion scheme
- D. Illegal gratuity scheme (1 mark)
97. Which of the following **BEST** describes the difference between a flipping scheme and a flopping scheme in the context of mortgage fraud?
- A. In a flopping scheme, the value of the first transaction is deflated instead of inflating the second transaction
- B. In a flopping scheme, the second transaction in the scheme usually occurs several years after the first
- C. In a flopping scheme, the original seller always ends up as the final owner of the property
- D. In a flopping scheme, the lender is not one of the potential victims of the scheme (1 mark)
98. In a financial statement fraud scheme in which capital expenditures are recorded as expenses rather than assets, the transactions will have which of the following effect on the organisation's financial statements:
- A. Net income will be overstated
- B. Total assets will be understated
- C. Sales revenue will be overstated
- D. All of the above (1 mark)
99. Which of the following is an information security goal that an e-commerce system should endeavor to meet for its users and asset holders?
- A. Non-repudiation
- B. Access authority
- C. Systems reliability
- D. Exactness (1 mark)
100. There are two methods of percentage analysis of financial statements. They are:
- A. Horizontal and vertical analysis
- B. Horizontal and historical analysis
- C. Vertical and historical analysis
- D. Balance sheet and income statement analysis (1 mark)
- .....



**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 21 August 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Which of the following statements is **NOT** accurate in regards to fraudulent financial reporting of the financial performance of an organisation?
  - A. Failure to write off bad debts would inflate both the profits and the current ratio
  - B. Failure to accrue expenses would inflate both the profits and the current ratio
  - C. Failure to write off bad debts would inflate the profits but not the current ratio
  - D. None of the above(1 mark)
2. Which of the following is **NOT** an objective of a risk assessment process related to computers and computer systems?
  - A. Detect the risks that make an organisation vulnerable to fraud
  - B. Quantify the impact if the risk materialised
  - C. Establish an economic balance between the impact if the risk materialized and the cost of the resources required
  - D. None of the above(1 mark)
3. Which of the following statements is **ACCURATE** in regard to fraudulent financial reporting?
  - A. Failure to write off bad debts would cause understatement of receivables
  - B. Failure to write off bad debts would cause understatement of the current ratio
  - C. Failure to accrual expenses would cause overstatement of liabilities
  - D. None of the above(1 mark)
4. Which of the following methods of bribery payment, **BEST** describe how large amounts of bribes are disbursed and are hard to detect?
  - A. Entertainment
  - B. Expensive vacations
  - C. Interest in a business
  - D. None of the above(1 mark)
5. Healthcare providers defraud insurance companies and government health programs through intentional charging of one procedure as two separate ones. Which of the following **BEST** describes the healthcare providers' fraud scheme?
  - A. Up-coding scheme
  - B. Fictitious services
  - C. Unbundling
  - D. None of the above(1 mark)
6. There are several financial statement fraud schemes that are perpetrated by management to inflate the organisation's liquidity ratio. Which of the following **BEST** describes the fraud scheme?
  - A. Overstatement of current liabilities
  - B. Understatement of liabilities
  - C. Overstatement of current assets
  - D. Understatement of non-current assets(1 mark)

7. Which of the following would result in an improper valuation of inventory?
- A. Writing off obsolete inventory
  - B. Recording perpetual inventory balance which is higher than the physical balance
  - C. Recording physical inventory balance which is lower than the perpetual inventory
  - D. All the above
- (1 mark)
8. Which of the following statements is **NOT** accurate in regard to steps of risk assessment related to computers and computer systems?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the first step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. Calculating the loss per risk is the fourth step of the risk assessment related to computers and computer systems
- (1 mark)
9. Which of the following statements is **ACCURATE** in regard to theft of data and intellectual property of organisations?
- A. A new employee from a competitor can expose the new employer to vicarious liability by using or disclosing secrets obtained from his previous employer in the course of his employment
  - B. An organisation can only be vicariously liable for misappropriation of proprietary information of another organisation, only if they were aware of its employee's misconduct
  - C. A new employee cannot expose their employer to vicarious liability by using or disclosing secrets obtained from his previous employer in the course of his employment
  - D. None of the above
- (1 mark)
10. Which of the following is **NOT** a red flag of financial statement fraud?
- A. Unusual revenue and profits rapid growth
  - B. Unrealistic targets
  - C. Negative cash flow balances while reporting profits
  - D. None of the above
- (1 mark)
11. John Omwange received a voice mail saying that somebody is trying to use his account fraudulently through Internet banking. Which of the following **BEST** describes this social engineering scheme?
- A. Phishing
  - B. Vishing
  - C. Smishing
  - D. Pharming
- (1 mark)
12. Which of the following **BEST** describes a social phishing scheme in which an internet user is fooled into entering sensitive data into a malicious website that impersonates a legitimate website?
- A. Spear Phishing
  - B. Rock phishing
  - C. Pharming
  - D. None of the above
- (1 mark)
13. Which of the following identity theft schemes **BEST** describes stealing of a credit card and using it to make personal payments from a victim's account?
- A. Synthetic identity theft
  - B. Business identity theft
  - C. Account takeover
  - D. Traditional identity theft
- (1 mark)
14. Which of the following is **NOT** a type of network security defence?
- A. Network access controls
  - B. Firewalls
  - C. Intrusion prevention system
  - D. None of the above
- (1 mark)

15. Separation of duties is fundamental to data security. Which of the following is **NOT** a recommended practice in relation to separation of duties?
- A. Application system users should only be granted access to those functions and data required for their job duties
  - B. System users should not have direct access to program source code
  - C. System users can have direct access to program source code
  - D. None of the above
- (1 mark)
16. Procurement fraud is perpetrated in the course of a procurement process. Which of the following is **NOT** a procurement fraud scheme committed during the submission of bids?
- A. Bid rotation
  - B. Tailoring of bids
  - C. Complementary bids
  - D. Bid suppression
- (1 mark)
17. A government agency planned and budgeted for one hundred vehicles. The procurement department developed the specifications for the vehicles and their accessories, but they were developed as separate specifications and therefore increasing the total cost of the motor vehicles. Which of the following **BEST** describes this type of procurement fraud scheme?
- A. Bid specification scheme
  - B. Bid manipulation scheme
  - C. Bid tailoring scheme
  - D. None of the above
- (1 mark)
18. Betty Wanjiru, an employee of a person-to-person payment company, has been stealing account numbers and passwords of customer accounts with the intent of fraudulently using them to make online payments. Which of the following describes the fraudulent scheme?
- A. Internet fraud
  - B. Credit card fraud
  - C. Debit card fraud
  - D. Accounts take over
- (1 mark)
19. Which of the following is **NOT** a safeguard that banks could employ to reduce the risks of unauthorised electronic funds transfers?
- A. Ensure that the area or city code in the applicant's telephone number matches the geographical area for the applicant's address
  - B. Always mail PINs separately from other information, such as usernames, with which they are associated
  - C. Apply single authentication to verify transfers via EBPP or P2P systems
  - D. None of the above
- (1 mark)
20. Which of the following statements is **NOT** a red flag of bid splitting?
- A. Similar or identical procurements from the same supplier in amounts just slightly over the competitive bidding limits
  - B. Consecutive related procurements from several contractors that are within the competitive-bidding or upper-level review limits
  - C. Justifiable split purchases that fall under the competitive-bidding or upper-level review limits
  - D. None of the above
- (1 mark)
21. Which of the following **BEST** describe a Trojan horse?
- A. A self-replicating computer program that penetrates operating systems to spread malicious code to other systems
  - B. A type of program that monitors and logs the keys pressed on a system's keyboard
  - C. A Trojan horse is a type of malicious program
  - D. None of the above
- (1 mark)
22. Which of the following statements is **ACCURATE** in regards to Business email compromise schemes identified by FBI?
- A. BEC (Business email compromise) is a type of vishing phishing
  - B. BEC (Business email compromise) is a type of malware
  - C. BEC (Business email compromise) is a type of social engineering
  - D. None of the above
- (1 mark)

23. Which of the following statements is **ACCURATE** in regards to red flags of bid tailoring scheme?
- A. Explained changes in contract specifications from previous proposals or similar items
  - B. Good number of competitive bids or awards to several bidders
  - C. Specifications developed by or in consultation with a contractor who is not permitted to compete in the procurement
  - D. None of the above
- (1 mark)
24. Which of the following is a red flag of bid rigging by contractors?
- A. Competent bidders refrain from bidding
  - B. Vendors submit serious bids
  - C. There is an obvious pattern of winning bids
  - D. None of the above
- (1 mark)
25. Defective pricing is one of the procurement fraud schemes perpetrated during the solicitation phase of the procurement process. Which of the following is **NOT** a scheme related to defective pricing?
- A. The use of an outdated pricing list
  - B. Labor mischarges
  - C. Material mischarges
  - D. None of the above
- (1 mark)
26. Which of the following is **NOT** a type of administrative security and controls?
- A. Security policies and awareness training
  - B. Incidence response plans
  - C. Computer security audits and tests
  - D. None of the above
- (1 mark)
27. Which of the following techniques, **BEST** describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Detection intrusion system
  - B. Network security system
  - C. Application security
  - D. Penetration test
- (1 mark)
28. Which of the following is **NOT** a method that can be used to protect personal information from identity theft?
- A. Protect computers with strong and regularly updated firewalls and anti-virus software
  - B. Avoid using public Wi-Fi networks
  - C. Limit the amount of information shared on social media
  - D. None of the above
- (1 mark)
29. Which of the following **BEST** describes a fraud scheme that involves using an individual's stolen credit or debit card or credit card number to purchase goods or services?
- A. Identity theft Scheme
  - B. Payment fraud
  - C. Credit card fraud
  - D. None of the above
- (1 mark)
30. ABC Computer Company and another four companies agreed to inflate the cost of a bid. The other four companies were each to submit a bid. ABC Computer Company supposedly bid the lowest. In comparison with the market price, the cost of the lowest bid was very high. Which of the following bid-rigging schemes **BEST** describes the procurement scheme that ABC Computer Company and the other four companies were involved in?
- A. Bid suppression
  - B. Complementary scheme
  - C. Bid market division
  - D. Bid rotation
- (1 mark)
31. Which of the following statements is **NOT** accurate in regard to social engineering?
- A. Phishing is a type of social engineering scheme that involves impersonating a trusted individual or entity and manipulating victims into providing sensitive information.
  - B. A vishing scheme is generally transmitted as an incoming recorded telephone message
  - C. Smishing is a hybrid of phishing using text messages for social engineering to steal individual's personal information
  - D. None of the above
- (1 mark)

32. Which of the following is **NOT** an authenticating process for users of information systems?
- A. Authentication process involves – Something the user know
  - B. Authentication process involves – Something the user has
  - C. Authentication process involves – Something the user is
  - D. Authentication process involves – Something the user was
- (1 mark)
33. Which of the following is a type of network security system that is designed to supplement firewalls and other forms of network security for detecting malicious activity coming across the network?
- A. Network access control systems
  - B. Intrusion detection controls
  - C. Administrative controls systems
  - D. None of the above
- (1 mark)
34. Which of the following is **NOT** a red flag of a bid specification scheme?
- A. Defective pricing
  - B. Narrow specifications for the type of goods or services being procured
  - C. Splitting of bids
  - D. Broad specifications for the type of goods or services being procured
- (1 mark)
35. Credit card fraud is rampant in the banking industry. Which of the following presents the greatest risk of card fraud?
- A. Card at point of sale
  - B. Card counterfeiting
  - C. Card fabrication
  - D. None of the above
- (1 mark)
36. Which of the following is **NOT** a red flag of malware infection?
- A. The system suddenly, and for no apparent reason, slows down its response time to commands.
  - B. The computer stops responding or locks up frequently
  - C. The operating system or other programs and applications behave in a predictable manner
  - D. None of the above
- (1 mark)
37. Which of the following is **NOT** a prevention measure against infection from a malicious program?
- A. Use anti-malware software to scan all incoming email messages and files
  - B. Regularly update the computer with the latest security patches available for the operating system
  - C. Organisations should develop corporate prevention policies and an employee education program to inform employees of how malware is introduced and what to do when there is suspicion of malware
  - D. None of the above
- (1 mark)
38. A government agency received an anonymous tip, informing them that their procurement and stores personnel in collusion with the suppliers have agreed that the supplier delivers merchandise to the procuring entity employees' warehouse and then invoice the procuring entity. Which of the following **BEST** describes the fraudulent scheme perpetrated by the supplier?
- A. False pretense
  - B. Request and transfer scheme
  - C. Purchasing and receiving scheme
  - D. Conflict of interest
- (1 mark)
39. Under the IFRS, recognising a long-term project revenue that has not been earned, can **BEST** be described as which of the following financial statement fraud schemes?
- A. Fictitious revenue scheme
  - B. Revenue scheme
  - C. Understated receivables scheme
  - D. None of the above
- (1 mark)
40. Which of the following is an illegal method of gathering information from competitors?
- A. Placing a mole in a company
  - B. Espionage
  - C. Competitive Intelligence
  - D. Human Intelligence
- (1 mark)



41. Which of the following is **NOT** a favorite target of intelligence gatherers?
- A. Job applications
  - B. Conferences
  - C. Marketing and sales information
  - D. None of the above
- (1 mark)
42. Which of the following **BEST** describes the method of spying on another company's activities by placing a person in that entity to gather information and pass to the party that has retained him
- A. Overt operations
  - B. Surveillance
  - C. Covert operations
  - D. None of the above
- (1 mark)
43. Which of the following is **NOT** a best practice for non-disclosure and non-competition agreement?
- A. Employees should sign the non-disclosure and a non-competition agreement only at the beginning of an employment contract
  - B. The organisation should clearly communicate to employees what is considered confidential information upon hiring and on regular basis
  - C. At the exit interview an employee should not be made to sign a statement acknowledging that he is aware of the terms and conditions of the non-competition and non-disclosure agreements
  - D. None of the above
- (1 mark)
44. Which of the following statements is **ACCURATE** in regards to contract performance mischarges?
- A. Material mischarges are more susceptible than labor mischarges
  - B. Accounting mischarges are more susceptible than labor mischarges
  - C. Labor and material mischarges are equally susceptible to mischarges
  - D. None of the above
- (1 mark)
45. Which of the following statements is **NOT** correct in relation to bank reconciliations statement?
- A. Bank reconciliation statement can help to detect cash misappropriation
  - B. Bank reconciliation statement can help to detect skimming
  - C. A manipulated bank reconciliation is both a red flag and a risk of asset misappropriation
  - D. None of the above
- (1 mark)
46. Which of the following statements is **ACCURATE** in regards to the effects on financial statements attributed to capitalisation of expenses?
- A. Capitalising expenses will misrepresent expenses because expenses will be understated and therefore inflate the profits
  - B. Capitalising expenses will misrepresent assets because the assets will be understated
  - C. Capitalising expenses will misrepresent the expenses because, the expenses will be overstated and therefore understate profits
  - D. None of the above
- (1 mark)
47. Which of the following procurement fraud schemes involve a procurement employee engaging in the early opening of bids and unjustifiable delay of opening the bids?
- A. Bid rigging
  - B. Bid rotation
  - C. Bid manipulation
  - D. None of the above
- (1 mark)
48. An analysis of a company's revenue and cost of revenue revealed that the cost of revenue had increased by 70% the previous year. Revenue only increased by 20 %. This scenario is a red flag of which of the following?
- A. The number of purchases was lower than the previous year.
  - B. Sales were low in the current year compared to the previous year
  - C. A poor marketing strategy
  - D. Theft of inventory
- (1 mark)
49. Which of the following is a method that a fraudster might use to conceal inventory theft?
- A. Failure to write off stolen inventory as scrap
  - B. Increasing the perpetual inventory balance
  - C. Altering the perpetual inventory records to increase the balances
  - D. None of the above
- (1 mark)

50. Which of the following **BEST** describe a malicious software used to simplify or automate online criminal activities?
- A. Ransomware
  - B. Spyware
  - C. Adware
  - D. Crime ware
- (1 mark)
51. The type of fraud that targets groups of people who have some social connection, such as neighborhood, professional association of racial minorities or immigrant groups, is referred to as:
- A. Consumer fraud
  - B. Ponzi scheme
  - C. Charity schemes
  - D. Affinity
- (1 mark)
52. Which of the following statements is **ACCURATE** in regards to business email compromise?
- A. Attackers target payable accountants in the organisation who are responsible of making payments
  - B. Attackers target corporate executives
  - C. Business compromise is a type of technical surveillance attack
  - D. None of the above
- (1 mark)
53. A non- performing bank loan is a red flag of fraud. Which of the following **BEST** describe the fraud scheme that is often associated with a nonperforming loan?
- A. Draw request
  - B. Construction overheads
  - C. Fraudulent appraisals
  - D. None of the above
- (1 mark)
54. Which of the following methods might be used to conceal a sham loan in which the loan officer receives part of the loan proceeds
- A. Letting the loan go into arrears
  - B. Leaving the bad loan in the books
  - C. Forwarding the loan over to a collections agency
  - D. Writing off the loan
- (1 mark)
55. Which of the following statements is **ACCURATE** in regards to pyramids and Ponzi schemes?
- A. A pyramid scheme promotes itself as a pyramid, whereas a Ponzi scheme promotes itself as an investment opportunity
  - B. Some Ponzi schemes are legal but Ponzi schemes are are illegal
  - C. All pyramid schemes are legal, whereas all Ponzi schemes are illegal
  - D. In a pyramid scheme, old investors are paid with money from new investor
- (1 mark)
56. Which of the following is the **MOST** common scheme perpetrated by suppliers of reusable medical equipment?
- A. Providing substandard equipment and charging for quality equipment
  - B. Falsifying prescription for medical equipment
  - C. Billing after the equipment is returned
  - D. None of the above
- (1 mark)
57. Which of the following is **NOT** considered to be a red flag of a Ponzi scheme?
- A. An investment with normal returns responding to financial markets
  - B. A financial manager who manages, administers and retains custody of the investment funds
  - C. A financial manager who puts an unusual amount of pressure on investors to act immediately
  - D. An investment that promises extremely high or short-term returns with very low risk
- (1 mark)
58. Which of the following **BEST** describes the most common real estate loan fraud scheme?
- A. Overhead requests
  - B. Hold back disbursements
  - C. Fraudulent appraisals
  - D. Draw request
- (1 mark)
59. High percentages of returns, missing compliance certificates, and evidence of falsified inspection test results, are red flags of which stage of the procurement fraud process?
- A. Solicitation phase
  - B. Pre-solicitation phase
  - C. Award and evaluation phase
  - D. None of the above
- (1 mark)

60. Which of the following can **BEST** describe fraud perpetrated by medical providers, medical equipment suppliers or medical facilities or health care programs to increase their own income through fraudulent schemes
- A. Fictitious services fraud
  - B. Up-coding
  - C. Provider fraud
  - D. Unbundling
- (1 mark)
61. Which of the following statements in regards to financial statement fraud is **ACCURATE**?
- A. Fictitious revenue scheme would lead to understated receivable
  - B. Concealed expenses scheme would lead to understated profits
  - C. Capitalisation of expenditure would lead to understated profits
  - D. None of the above
- (1 mark)
62. Which of the following statements in regards to the effect of fraudulent transactions on the current ratio is **NOT** accurate?
- A. Overstated receivables will result to an inflated current ratio
  - B. Understated current liabilities will result to an inflated current ratio
  - C. Overvaluation of inventory will result to an inflated current ratio
  - D. None of the above
- (1 mark)
63. Susan works for Riverside commercial bank at the back office. Susan has been monitoring an elderly woman's account for some time and noted that the account has been dormant for about seven years. She then debits the woman's account and credit an account controlled by herself. Which of the following **BEST** describes the bank employee's scheme?
- A. False accounting
  - B. Unauthorised withdrawal
  - C. Embezzlement of customers' funds
  - D. None of the above
- (1 mark)
64. Henry is a receivables accountant at Maji State Corporation. Henry conspired with customers with substantial outstanding bills to write them off in the books in the computer system. The customers gave Henry cash as a reward for writing off the big debts. Which of the following **BEST** describe Henry's fraudulent and corrupt schemes?
- A. Conflict of interest, asset misappropriation and computer fraud
  - B. False accounting, bribery and computer forgery and false pretense
  - C. Conspiracy, bribery, asset misappropriation and computer forgery
  - D. Collusion, bribery, asset misappropriation and computer fraud
- (1 mark)
65. Jeremmy is a payable accountant at Mwangaza State Corporation. Jeremmy conspired with 50 major vendors to make overpayments by altering the payment vouchers when entering them in the payment system by adding a zero and sometime paying an invoice twice. The vendors shared the proceeds with Jeremmy. Which of the following **BEST** describes Jeremmy's fraudulent and corrupt schemes?
- A. Collusion, bribery, asset misappropriation
  - B. False accounting, Bribery and computer forgery
  - C. Bribery, misappropriation and computer forgery
  - D. None of the above
- (1 mark)
66. Which of the following is **NOT** a best practice of safeguarding proprietary information?
- A. Developing and implementing a risk-based information security
  - B. Implementation of data minimisation
  - C. Implementation of data classification
  - D. Implementing information security
- (1 mark)
67. Which of the following statements is **NOT** accurate in regard to the methods used to make corrupt payments?
- A. Bribe payers often make corrupt payments by giving an interest in a business
  - B. Bribe payers often make corrupt payments by taking a credit card on behalf of the recipient and make monthly payments for amount spent
  - C. Bribe payments can be made in form of a loan, guaranteed by the contractor but paid by the recipient
  - D. None of the above
- (1 mark)
68. Which of the following is a type of a skimming scheme?
- A. Fictitious revenue
  - B. Unrecorded revenue
  - C. Concealed expenses
  - D. None of the above
- (1 mark)

69. Which of the following detection methods can help to detect the skimming scheme?
- Analysing receipts
  - Preparing a bank reconciliation statement
  - Comparing the receipts with the bank deposits
  - Data analysis and observation
- (1 mark)
70. Vicky Lamenya, is an accountant of Black Company Ltd. Vicky realised that the travel and accommodation account had over spent the budget amount that was caused by misappropriation. Vicky wants to conceal the misappropriation. Which of the following transactions can help to conceal the misappropriation?
- Credit travel and accommodation account and debit another expense account
  - Credit travel and accommodation account and credit an asset account
  - Debit travel and accommodation account and credit repairs and maintenance account
  - None of the above
- (1 mark)
71. Which of the following statements is **ACCURATE** in regard to the types of workers' compensation fraud schemes?
- The agents collect premium and submit all the premiums to the insurance company
  - A lawyer, doctor and a claimant cannot collude to defraud an insurance company
  - In premium fraud, an employer understates the amount of payroll under high risk classifications to get a lower-cost premium
  - None of the above
- (1 mark)
72. Which of the following is **NOT** a solicitation phase - procurement fraud scheme involved in competitive bidding process?
- Bid rigging
  - Defective pricing
  - Bid manipulation
  - None of the above
- (1 mark)
73. Which of the following is **NOT** a method that is used to manipulate and destroy data?
- Malware
  - Overflow exploits
  - Privilege escalation
  - None of the above
- (1 mark)
74. Which of the following is **ACCURATE** in regards to cybercrime?
- Entering an altered or falsified data in the computer by an authorised employee, is a type of cybercrime
  - Modification of data by an authorised employee is a type of cybercrime
  - Unauthorised modification of data through use of internet is a cybercrime
  - All the above
- (1 mark)
75. Which of the following is **NOT** a method used to destroy and manipulate data?
- Launching a buffer overflow exploits
  - Entering false information into a computer system
  - Transmitting data to unauthorised destination
  - None of the above
- (1 mark)
76. Which of the following is **ACCURATE** in regards to internet of things technology?
- IOT technology tends to focus on innovation design rather than privacy or security
  - IOT technology tends to focus on privacy or security rather than innovative design
  - IOT devices commonly connect to networks using inadequate security
  - All the above
- (1 mark)
77. Which of the following describes the method used to gain unauthorised access through the use of a secret point into the program?
- Trojan horse code
  - Back door
  - Salami techniques
  - Trap door
- (1 mark)
78. Which of the following is **NOT** a type of administrative security control?
- Security policies and procedures
  - Security awareness and education
  - Security reviews and audit
  - None of the above
- (1 mark)

79. Both ABC and XYZ companies are major players in the construction industry. ABC Company paid XYZ Company an inducement to refrain from bidding for a contract tender issued by a government entity. Which of the following **BEST** describes the procurement scheme perpetrated by ABC and XYZ companies?
- A. Both ABC and XYZ engaged in bid rotation
  - B. Both ABC and XYZ engaged in bid rigging
  - C. Both ABC XYZ engaged in market division
  - D. None of the above
- (1 mark)
80. Which of the following financial statement fraud schemes is **NOT** associated with financial performance fraudulent reporting?
- A. Overstatement of revenues
  - B. Concealment of expenditure
  - C. Improper disclosure
  - D. Improper valuation of receivable
- (1 mark)
81. Which of the following is a financial statement fraud scheme that is **NOT** associated with fraudulent reporting of the financial position?
- A. Improper non -assets valuation
  - B. Improper current assets valuation
  - C. Concealed liabilities
  - D. None of the above
- (1 mark)
82. Which of the following **BEST** describes the form of corruption where a public official receives money and use his position to influence a decision or an act?
- A. Bribery
  - B. Commercial Bribery
  - C. Reward or advantage
  - D. None of the above
- (1 mark)
83. Which of the following **BEST** describes a healthcare fraud scheme in which a provider bills for a higher level of service than they actually provided
- A. Unbundling
  - B. Overutilisation
  - C. Fictitious billing
  - D. None of the above
- (1 mark)
84. Which of the following statements **BEST** describes a bid rotation procurement scheme?
- A. Competitive bidders refrain from bidding
  - B. Bidders issue token bids
  - C. Bidders divide the market
  - D. None of the above
- (1 mark)
85. Betty is an employee in the procurement department of company XYZ. Betty creates a shell company by the name of Business Solutions Ltd. She purchases goods and then sell them to his employer through the shell company at an exorbitant price. This type of fraudulent scheme perpetrated by Betty can **BEST** be described as which of the following scheme?
- A. Billing scheme
  - B. Pay and return scheme
  - C. Pass through scheme
  - D. Asset misappropriation
- (1 mark)
86. Which of the following is **NOT** a red flag of bid rotation scheme?
- A. Bidders bid each time lower
  - B. A pattern of winning bids
  - C. Extremely high prices of bids even for the lowest bid
  - D. None of the above
- (1 mark)
87. Which of the following is **NOT** a method that can be used to prevent a computer from being infected by malware softwares?
- A. Update the system with any security patches
  - B. Use anti-malware software
  - C. Update the operating system regularly
  - D. None of the above
- (1 mark)

88. Which of the following is **NOT** a technical security control for securing computer systems and communication networks?
- A. To install operating system security
  - B. To install network security defenses
  - C. To encrypt sensitive data files
  - D. None of the above
- (1 mark)
89. Which of the following statements is **NOT** accurate in regard to computer technical security?
- A. Technical security can also be referred to as logical control
  - B. Technical security involves use of safeguards incorporated into computer hardware and software
  - C. Security policies, procedures and audits technical are not types of technical security
  - D. None of the above
- (1 mark)
90. There are several financial statement fraud schemes that are perpetrated by management and directors to misrepresent the financial performance and position of the organisation. Which of the following is **NOT** one of those schemes?
- A. Improper asset valuation
  - B. Improper disclosures
  - C. Improper recognition of revenue
  - D. None of the above
- (1 mark)
91. Which of the following is **NOT** a common reason why management of a public company engage in fraudulent financial reporting?
- A. To meet compliance requirements
  - B. Pressure for performance bonuses
  - C. To conceal inability to generate cash flow
  - D. To reduce tax liability
- (1 mark)
92. Which of the following statements is **NOT** true in regards to the methods used by identity thieves to steal personal and business information?
- A. Identity thieves can use phishing to collect personal information
  - B. Identity thieves often engage in impersonating the victim
  - C. Identity thieves can use company employees to provide them with customer's information
  - D. None of the above
- (1 mark)
93. Which of the following is a type of financial statement fraud associated with related party- transactions?
- A. Inadequate disclosure
  - B. Timing differences
  - C. Fraudulent related party transactions
  - D. Improper asset valuation
- (1 mark)
94. Which of the following **BEST** describes preventive measure used by banks to avoid fraudulent withdrawals?
- A. Positive pay
  - B. Payment verification
  - C. Verification control
  - D. None of the above
- (1 mark)
95. Which of the following activities does **NOT** usually occur during the containment and eradication step of the recommended methodology for responding to cybersecurity incidents?
- A. Identifying all breaches that occurred
  - B. Notifying the appropriate internal personnel
  - C. Restoring control of the affected systems
  - D. Limiting the damage caused by the attack
- (1 mark)
96. Organisations should be in a position to respond to a wide range of cybersecurity incidents, including cyberattacks and data breaches. Which of the following is **NOT** a method of responding to cybersecurity incidents?
- A. Planning
  - B. Detection and analysis
  - C. Containment and eradication
  - D. All the above
- (1 mark)

97. Which of the following is **NOT** a recommended separation of duties within the information systems department and between IT and business unit personnel
- A. Programmers should not have unsupervised access to production programs or have access to production data sets (data files).
  - B. IT personnel's access to production data should be limited.
  - C. Application system users should be granted access to all applications and systems functions and data required for their job duties.
  - D. All the above
- (1 mark)
98. Which of the following **BEST** describes a software keylogger?
- A. A type of software that, while not definitely malicious, has a suspicious or potentially unwanted aspect to it
  - B. A computer program that replicates itself and penetrates operating systems to spread malicious code to other computers
  - C. A program or command procedure that appears useful but contains hidden code that causes damage
  - D. None of the above
- (1 mark)
99. Which of the following is a type of an administrative security control that an organisation can implement to protect computers and communication networks?
- A. Developing an incident response plan
  - B. Use of smart access cards for employees
  - C. Installing a firewall for the network
  - D. Backing up system files regularly
- (1 mark)
100. Health care providers engage in various provider fraud schemes. Auditors and forensic auditors should be aware of the red flags associated with health care provider fraud. Which of the schemes is **NOT** one of them?
- A. Pressure for rapid processing of claims
  - B. Unusually high volumes of claims compared to the facility capacity
  - C. Health provider's close relationships with the claims department personnel
  - D. None of the above
- (1 mark)
- .....

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**CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)**

**MODULE ONE**

**FRAUD AND CORRUPTION SCHEMES**

**MONDAY: 24 April 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Which of the following statements is **NOT** accurate in regard to financial statement misrepresentation of both the financial performance and financial position of an organisation?
  - A. Failure to write off bad debts would inflate both the financial performance and position of an organisation
  - B. An organisation can misrepresent its financial performance and position through failure to include accrued expenses in the financial statements
  - C. Failure to write off bad debts can only cause misrepresentation of the financial performance of the organisation
  - D. Both A and B above
2. Which of the following is **NOT** an objective of a risk assessment process related to computers and computer systems?
  - A. Identifying the risks that make an organisation vulnerable to fraud
  - B. Quantify the impact if the risk materialised
  - C. Establish an economic balance between the impact if the risk materialised and the cost of the resources required
  - D. None of the above
3. Which of the following statement is **NOT** accurate in regard to fraudulent financial reporting?
  - A. Failure to write off bad debts would cause an overstatement of receivables
  - B. Failure to write off bad debts would inflate the current ratio
  - C. Failure to accrual expenses would understate liabilities
  - D. Failure to accrual expenses would result to an unfavourable current ratio
4. ABC is a government ministry in your country. The management has put measures in place to prevent bribery and kickbacks. Which of the following type of bribery payment method is used to pay large amounts of bribes and is hard to detect?
  - A. Entertainment and luxurious holidays
  - B. Loans guaranteed and paid by contractor or vendor
  - C. Cash payments
  - D. All the above
5. Healthcare providers defraud insurance companies and government health programs through intentional charging of one procedure as two separate procedures. Which of the following **BEST** describes healthcare providers' fraudulent scheme?
  - A. Up - coding scheme
  - B. Fictitious services
  - C. Capper scheme
  - D. None of the above
6. There are several financial statement fraud schemes that are perpetrated by management to inflate the organisation's liquidity ratio. Which of the following **BEST** describes the fraud scheme?
  - A. Understatement of current liabilities
  - B. Understatement of liabilities
  - C. Understatement of current assets
  - D. Understatement of non-current assets



7. Which of the following would result in an improper valuation of inventory?
- A. Writing off obsolete inventory
  - B. Recording perpetual inventory balance which is higher than the physical balance
  - C. Recording physical inventory balance which is lower than the perpetual inventory
  - D. All the above
8. Which of the following statement is **NOT** true in regard to steps of risk assessment related to computers and computer systems?
- A. Identifying the risks and threats of each asset and calculating the probability of each risk materialising, is the first step of a risk assessment
  - B. Determining the value of each asset of a risk assessment related to computers and computer systems is the second step
  - C. Recommending the counter-measures and other remedial activities is the fifth step of a risk assessment related to computers and computer systems
  - D. Calculating the loss per risk is the fourth step of the risk assessment related to computers and computer systems
9. Which of the following statement is **TRUE** in regard to theft of data and intellectual property of organisations?
- A. A new employee from a competitor cannot expose the new employer to vicarious liability by using or disclosing secrets obtained from his previous employer in the course of his employment
  - B. An organisation can only be vicariously liable for misappropriation of proprietary information of another organisation, only if they were aware of its employee's misconduct
  - C. An exiting employee cannot expose their employer to vicarious liability by using or disclosing secrets obtained from his previous employer in the course of his employment
  - D. None of the above
10. Which of the following is **NOT** a red flag of financial statement fraud?
- A. Unusual revenue and profits rapid growth
  - B. Unrealistic targets
  - C. Negative cash flow balances while reporting profits
  - D. Expected revenue and profits growth
11. Karen received a message stating that somebody was trying to use her account fraudulently through internet banking. Which of the following **BEST** describes this social engineering scheme?
- A. Phishing
  - B. Vishing
  - C. Smishing
  - D. None of the above
12. Which of the following **BEST** describes a social phishing scheme in which an internet user is fooled into entering sensitive data into a malicious website that impersonates a legitimate website?
- A. Spear Phishing
  - B. Rock phishing
  - C. Phishing
  - D. None of the above
13. Which of the following identity theft schemes **BEST** describes stealing of a credit card and using it to make personal payments from a victim's account?
- A. Synthetic identity theft
  - B. Business identity theft
  - C. Traditional identity theft
  - D. None of the above
14. Which of the following is **NOT** a type of network security defense?
- A. Network access controls
  - B. Firewalls
  - C. Intrusion prevention system
  - D. None of the above

15. Separation of duties is fundamental to data security. Which of the following is **NOT** a recommended practice in relation to the separation of duties?
- A. Application system users should only be granted access to those functions and data required for their job duties.
  - B. Program developers should also be program testers because they understand the system better
  - C. System users should not have direct access to program source code
  - D. System users can have direct access to program source code
16. Procurement fraud is perpetrated in the course of a procurement process. Which of the following is **NOT** a procurement fraud scheme committed during the submission of bids?
- A. Bid rotation
  - B. Defective pricing
  - C. Complementary bids
  - D. None of the above
17. XYZ government agency planned and budgeted for three hundred laptops. The procurement department developed the specifications for the laptops and their accessories, but they were developed as separate specifications and therefore increasing the total cost of the laptops. Which of the following **BEST** describes this type of procurement fraud scheme?
- A. Bid specification scheme
  - B. Bid manipulation scheme
  - C. Bid tailoring scheme
  - D. Bid splitting scheme
18. Betty, an employee of a person-to-person payment company, has been stealing account numbers and passwords of customer accounts with the intent of fraudulently using them to make online payments. Which of the following **BEST** describes the fraudulent scheme?
- A. Internet fraud
  - B. Credit card fraud
  - C. Debit card fraud
  - D. All of the above
19. Which of the following is **NOT** a safeguard that banks could employ to reduce the risks of unauthorized electronic funds transfers?
- A. Ensure that the area or city code in the applicant's telephone number matches the geographical area for the applicant's address.
  - B. Always mail PINs separately from other information, such as usernames, with which they are associated.
  - C. Apply multifactor authentication to verify transfers via EBPP or P2P systems.
  - D. None of the above
20. Which of the following statements is **NOT** a red flag of bid splitting?
- A. Similar or identical procurements from the same supplier in amounts just slightly under the competitive bids
  - B. Bidding limits
  - C. Consecutive related procurements from the several contractors that are within the competitive-bidding or upper-level review limits
  - D. Unjustified split purchases that fall under the competitive-bidding or upper-level review limits
21. Which of the following **BEST** describes a Trojan horse?
- A. A type of software that, while not definitely malicious, has a suspicious or potentially unwanted aspect to it.
  - B. A self-replicating computer program that penetrates operating systems to spread malicious code to other systems
  - C. A type of program that monitors and logs the keys pressed on a system's keyboard
  - D. None of the above statement
22. Which of the following statement is **NOT** correct in regard to Business email compromise schemes identified by Federal Bureau of Investigations (FBI)?
- A. BEC (Business email compromise) is a type of spear phishing
  - B. BEC (Business email compromise) is a type of electronic social engineering
  - C. BEC (Business email compromise) is a type of social engineering
  - D. None of the above

23. Which of the following statement is **NOT** accurate in regard to red flag of bid tailoring scheme?
- A. Unexplained changes in contract specifications from previous proposals or similar items
  - B. Low number of competitive awards to one supplier
  - C. Specifications developed by or in consultation with a contractor who is permitted to compete in the procurement
  - D. None of the above
24. Which of the following is **NOT** a red flag of bid rigging by contractors?
- A. Contractors share work with losing bidders
  - B. Vendors submit complementary bids
  - C. There is an obvious pattern of winning bids
  - D. None of the above
25. Defective pricing is one of the procurement fraud schemes perpetrated during the solicitation phase of the procurement process. Which of the following is **NOT** a scheme related to defective pricing?
- A. The use of an outdated pricing list
  - B. Labour mischarges
  - C. Material mischarges
  - D. Accounting mischarges
26. Which of the following is **NOT** a type of administrative security and controls?
- A. Security policies and awareness training
  - B. Incidence response plans
  - C. Computer security audits and tests
  - D. Intrusion prevention system controls
27. Which of the following is **NOT** a type of computer technical control to secure computer systems and communication networks?
- A. Logical access controls
  - B. Network Security
  - C. Intrusion detection controls
  - D. Operating Systems Security
28. Which of the following techniques **BEST** describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Detection intrusion system
  - B. Network security system
  - C. Application Security
  - D. None of the above
29. Which of the following is **NOT** a method that could be used to protect personal information from identity theft?
- A. Protect computers with strong and regularly updated firewalls and anti-virus software
  - B. Avoid using public Wi-Fi networks
  - C. Limit the amount of information shared on social media
  - D. None of the above
30. Which of the following **BEST** describes a fraud scheme that involves using an individual's stolen credit card or credit card number to purchase goods or services?
- A. Identity theft Scheme
  - B. Electronic transfer
  - C. Credit card fraud
  - D. None of the above
31. ABC computer company and another four companies agreed to inflate the cost of a bid, by the other four companies submitting bids each time the lowest where ABC supposedly bidding the lowest. In comparison with the market price, the cost of the lowest bid was very high. Which of the following **BEST** describes the type of bid-rigging scheme that ABC Computer company and the other four companies were involved in?
- A. Bid market division
  - B. Token bids scheme
  - C. Bid market division
  - D. None of the above

32. Which of the following statement is **NOT** Accurate in regard to social engineering?
- A. Phishing is a type of social engineering scheme that involves impersonating a trusted individual or entity and manipulating victims into providing sensitive
  - B. A vishing scheme is generally transmitted as an incoming recorded telephone message that uses a spoofed caller ID matching the identity of a misrepresented organisation.
  - C. SMiShing is a hybrid of phishing using voice for social engineering to and steal individual's personal information
  - D. None of the above
33. Which of the following is **NOT** an authenticating process for users in information systems?
- A. Authentication process involves – Something the user knows
  - B. Authentication process involves – Something the user has
  - C. Authentication process involves – Something the user is
  - D. None of the above
34. Which of the following is a type of network security systems that are designed to supplement firewalls and other forms of network security to detecting malicious activity coming across the network?
- A. Network access controls systems
  - B. Logical access controls systems
  - C. Administrative controls systems
  - D. None of the above
35. Which of the following is **NOT** a red flag of a bid specification scheme?
- A. Bid manipulation
  - B. Narrow specifications for the type of goods or services being procured
  - C. Splitting of bids
  - D. Broad specifications for the type of goods or services being procured
36. Credit card fraud is rampant in the banking industry. Which of the following presents the greatest risk of card fraud?
- A. Card at point of sale
  - B. Card counterfeiting
  - C. Accounts takeover
  - D. All the above
37. Which of the following is **NOT** a red flags of malware infection?
- A. The system suddenly, and for no apparent reason, slows down its response time to commands.
  - B. The computer stops responding or locks up frequently.
  - C. The operating system or other programs and applications behave in a predictable manner.
  - D. None of the above
38. Which of the following is **NOT** a prevention measure against infection from a malicious program?
- A. Use anti-malware software to scan all incoming email messages and files
  - B. Regularly update the computer with the latest security patches available for the operating system
  - C. Organisations should develop corporate prevention policies and an employee education program to inform employees of how malware is introduced and what to do when there is suspicion of malware
  - D. None of the above
39. ABC Company receives an anonymous tip informing them that their procurement and stores personnel in collusion with the suppliers have agreed that the supplier delivers merchandise to the procuring entity employees' warehouse and then invoices the procuring entity. Which of the following **BEST** describes the fraudulent offense perpetrated by the supplier?
- A. Asset misappropriation scheme
  - B. Corruption
  - C. Forgery
  - D. Conflict of interest
40. Under the International Financial Reporting Standards (IFRS), recognising a long-term project revenue that has not been earned, can best be described as which of the following schemes?
- A. Understated revenue scheme
  - B. Overstated revenue scheme
  - C. Understated receivables scheme
  - D. None of the above

41. Which of the following is a legal method of gathering information from competitors?
- A. Placing a spy in a company
  - B. Espionage
  - C. Competitive intelligence
  - D. Human intelligence
42. Which of the following is **NOT** a favorite target of intelligence gatherers?
- A. Company's newsletters
  - B. Conferences
  - C. Marketing and sales information
  - D. None of the above
43. Which of the following **BEST** describes the method of spying on another company's activities by placing a person in that entity to gather information to pass to the party that has retained him
- A. Competitive intelligence
  - B. Espionage
  - C. Covert operations
  - D. Surveillance
44. Which of the following is **NOT** a best practice for non-disclosure and non-competition agreement?
- A. Employees should sign the non-disclosure and a non-competition agreement only at the beginning of an employment contract
  - B. The organisation should clearly communicate to employees what is considered confidential information upon hiring and on regular basis
  - C. At the exit interview an employee should not be made to sign a statement acknowledging that he is aware of the terms and conditions of the non-competition and non-disclosure agreements
  - D. None of the above
45. Which of the following statement is **NOT** correct in regard to contract performance mischarges?
- A. Material mischarges are more susceptible than labor mischarges
  - B. Accounting mischarges are more susceptible than labor mischarges
  - C. Labor and material mischarges are equally susceptible to mischarges
  - D. None of the above
46. Which of the following statement is **NOT** correct in relation to bank reconciliations statement?
- A. Bank reconciliation statement can help to detect cash misappropriation
  - B. Bank reconciliation statement can help to detect fraudulent disbursement
  - C. A manipulated bank reconciliation is both a red flag and a risk of asset misappropriation
  - D. None of the above?
47. Which of the following statement is **NOT** accurate in regard to the effects on financial statements attributed to capitalisation of expenses?
- A. Capitalising expenses will misrepresent expenses because expenses will be understated and therefore inflate the profits
  - B. Capitalising expenses will misrepresent assets because the assets will be overstated
  - C. Capitalising expenses will misrepresent the expenses because, the expenses will be overstated and therefore understate profits
  - D. None of the above
48. Which of the following procurement fraud schemes involve a procurement employee engaging in the early opening of bids and unjustifiable delay of opening the bids?
- A. Bid rigging
  - B. Bid manipulation schemes
  - C. Bid suppression
  - D. None of the above

49. The analysis of a company's revenue and cost of revenue revealed that the cost of revenue had increased by 80% the previous year. Revenue only increased by 30 %. This scenario is a red flag of which of the following?
- A. The number of purchases was lower than the previous year.
  - B. Sales were low in the current year compared to the previous year
  - C. Bad sales and marketing strategy
  - D. None of the above
50. Which of the following is **NOT** a method that a fraudster might use to conceal inventory shrinkage?
- A. Writing off stolen inventory as scrap
  - B. Falsely reducing the perpetual inventory balance
  - C. Physical padding of inventory
  - D. Altering the perpetual inventory records to increase the balances
51. Green, a waiter at a big petrol station, takes a customer's credit card to process a payment. Green swipes the card through a small device that he regularly uses to steal his customers' credit card information. Which of the following **BEST** describe Green's 'scheme'?
- A. Probing
  - B. Phishing
  - C. Credit card fraud
  - D. None of the above
52. Which of the following **BEST** describe a malicious software used to simplify or automate online criminal activities?
- A. Ransomware
  - B. Spyware
  - C. Adware
  - D. None of the above
53. Which of the following are red flags of insider computer fraud?
- I. Access privileges are limited to those required to perform assigned tasks.
  - II. Access logs are not reviewed regularly
  - III. Production programs are run during unusual business hours.
  - IV. Exception reports are not reviewed and resolved
- A. I only
  - B. I and II only
  - C. II and III only
  - D. II, III and IV
54. The type of fraud that targets groups of people who have some social connection, such as neighbourhood, professional association of racial minorities or immigrant groups, is referred to as:
- A. Consumer fraud
  - B. Ponzi scheme
  - C. Charity schemes
  - D. None of the above
55. Which of the following statement is **ACCURATE** in regard to business email compromise?
- A. Attackers target payable accountants in the organisation who are responsible of making large amounts of payments
  - B. Attackers target any individuals in the organisation
  - C. Business compromise is a type of technical surveillance attack
  - D. None of the above
56. A non- performing bank loan is a red flag of fraud. Which of the following **BEST** describe the fraud scheme that is often associated with a nonperforming loan?
- A. Draw request
  - B. Construction overheads
  - C. Hold backs
  - D. None of the above

57. Which of the following methods might be used to conceal a sham loan in which the loan officer receives part of the loan proceeds
- A. Letting the loan go into arrears
  - B. Leaving the bad loan in the books
  - C. Forwarding the loan over to a collections agency
  - D. None of the above
58. What is the primary difference between a Ponzi scheme and a pyramid scheme?
- A. A pyramid scheme promotes itself as a pyramid, whereas a Ponzi scheme promotes itself as an investment opportunity
  - B. A Ponzi scheme is promoted by encouraging victim members to recruit new members
  - C. All pyramid schemes are legal, whereas all Ponzi schemes are illegal
  - D. In a pyramid scheme, old investors are paid with money from new investor
59. Which of the following is **NOT** a common scheme perpetrated by suppliers of reusable medical equipment?
- A. Providing substandard equipment and charging for quality equipment
  - B. Falsifying prescription for medical equipment
  - C. Billing after the equipment is returned
  - D. None of the above
60. Which of the following is **NOT** considered to be a red flag of a Ponzi scheme?
- A. An investment with returns responding to financial markets
  - B. A financial manager who manages, administers and retains custody of the investment funds
  - C. A financial manager who puts an unusual amount of pressure on investors to act immediately
  - D. An investment that promises extremely high or short-term returns with very low risk
61. Which of the following scheme **BEST** describe a scheme, where a fraudster s, contacts a victim of consumer fraud, promising to assist in retrieving the lost money. However, the investigation requires an upfront fee and the consumer is swindled again.
- A. Debt consolidation
  - B. Advance-fee swindle
  - C. Factoring scheme
  - D. None of the above
62. Which of the following **BEST** describe the worst real estate loan fraud scheme?
- A. Fraudulent draw requests
  - B. Fraudulent disbursements
  - C. Fraudulent appraisals
  - D. None of the above
63. Pauline obtained a loan from Upperhill Commercial Bank. Pauline gave the bank a security interest in her commercial property. Before lien was filed, Pauline managed to get another loan from another bank using the same commercial property as security for the loan. Which of the following **BEST** describes Pauline's scheme?
- A. Security skimming
  - B. Double collateral
  - C. Theft of security
  - D. All the above
64. High percentages of returns, missing compliance certificates, and evidence of falsified inspection test results, are red flags of which stage of the procurement fraud process?
- A. Solicitation phase
  - B. Pre-solicitation phase
  - C. Administration and performance phase
  - D. Award and evaluation phase
65. Which of the following can **BEST** describe a fraud perpetrated by medical providers, medical suppliers, or medical facilities on patients or health care programs to increase their own income through fraudulent schemes
- A. Fictitious services fraud
  - B. Insurer fraud
  - C. Insured fraud
  - D. None of the above

66. Which of the following statement in regard to financial statement fraud is **ACCURATE**?
- A. Fictitious revenue scheme would lead to understated receivable
  - B. Concealed expenses scheme would lead to understated profits
  - C. Capitalisation of expenditure would lead to understated profits
  - D. None of the above
67. Which of the following statement in regard to the effect of fraudulent transactions on the current ratio is **NOT** accurate?
- A. Overstated receivables will result to an inflated current ratio
  - B. Understated current liabilities will result to an inflated current ratio
  - C. Overvaluation of inventory will result to an inflated current ratio
  - D. None of the above
68. Sue works for Riverside commercial bank at the back office. Sue has been monitoring an elderly woman's account for some time and noted that the account has been dormant for about seven years. She then debits the woman's account and credit an account controlled by herself. Which of the following **BEST** describes the bank employee's scheme?
- A. False accounting
  - B. Unauthorised withdrawal
  - C. Embezzlement of customers' funds
  - D. None of the above
69. George is an accountant of XYZ state corporation. George is in charge of receivables accounts. George conspired with a customer to write off the customer's debt in the books. The customer gave George some cash as a reward for wiring off his big debt. Which of the following **BEST** describe George's fraudulent scheme?
- A. Bribery, misappropriation and computer fraud
  - B. False accounting, Bribery and computer forgery
  - C. Bribery, misappropriation and computer forgery
  - D. None of the above
70. Which of the following is **NOT** a best practice of safeguarding proprietary information?
- A. Developing and implementing a risk-based information security
  - B. Implementation of data minimisation
  - C. Implementation of data classification
  - D. None of the above
71. Which one of the following statements is **NOT** accurate in regard to the methods used to make corrupt payments?
- A. Bribe payers often make corrupt payment by giving an interest in the enterprise
  - B. Payers often make corrupt payment by taking a credit card on behalf of the recipient and make monthly payments for amount spent
  - C. Bribe payments can be made in form of a property sold to the recipient below the market value
  - D. None of the above
72. Which of the following is a type of a skimming scheme?
- A. Fictitious revenue
  - B. Overstated revenue
  - C. Concealed expenses
  - D. None of the above
73. Which of the following detection methods can help to detect the skimming scheme?
- A. Analysing receipts
  - B. Preparing a bank reconciliation statement
  - C. Comparing the receipts with the bank deposits
  - D. None of the above
74. Rogers is an accountant at Blue Company Ltd. Rodgers noticed that the repairs and maintenance account was more than the budgeted amount. Rogers wants to conceal the misappropriation. Which of the following transaction can help to conceal the misappropriation?
- A. Credit repairs and maintenance account and credit another expense account
  - B. Credit repairs and maintenance account and credit an asset account
  - C. Debit repairs and maintenance account and credit furniture and payables
  - D. None of the above



75. Which one of the following statements is **TRUE** in regard to the types of workers' compensation fraud schemes?
- A. The agents collect premium and submit all the premiums to the insurance company
  - B. A lawyer, doctor and a claimant cannot collude to defraud an insurance company
  - C. In premium fraud, an employer overstates the amount of payroll under high risk classifications to get a lower-cost premium
  - D. None of the above
76. Which one of the following is **NOT** a solicitation phase, procurement fraud schemes involved in competitive bidding process?
- A. Bid rigging
  - B. Defective pricing
  - C. Bid manipulation
  - D. None of the above
77. Which of the following is **NOT** a method that is used to manipulate and destroy data?
- A. Phishing
  - B. Overflow exploits
  - C. Privilege escalation
  - D. Back door
78. Which of the following is **TRUE** in regard to cybercrime?
- A. Entering an altered or falsified data in the computer by an authorised employee, is a type of cybercrime
  - B. Modification of data by an authorised employee is a type of cybercrime
  - C. Modification of data through wiretapping is a type of cybercrime
  - D. All the above
79. Which of the following is **NOT** a method used to destroy and manipulate data?
- A. Phishing
  - B. Launching a buffer overflow exploits
  - C. Entering false information into a computer system
  - D. Transmitting data to unauthorised destination
80. Which of the following is **NOT** true in regard to internet of things technology?
- A. IOT technology tends to focus on innovation design rather than privacy or security
  - B. IOT technology tends to focus on privacy or security rather than innovative design
  - C. IOT devices commonly connect to networks using inadequate security
  - D. All the above
81. Which of the following describes the method used to gain unauthorised access through the use of a secret point into the program
- A. Trojan horse code
  - B. Back door
  - C. Salami techniques
  - D. None of the above
82. Which of the following statement is **TRUE** in regard to physical access control?
- A. The primary purpose of physical access controls is to prevent unauthorised access to computer and computer systems
  - B. The primary purpose of physical access controls is to prevent unauthorised access to the computer room or station
  - C. Card system is a type of a physical control
  - D. Use of password is a type of physical control
83. Which of the following is **NOT** a type of administrative security controls?
- A. Security policies and procedures
  - B. Security awareness and education
  - C. Security reviews and audit
  - D. Logical access controls

84. Both ABC and XYZ companies are major players in the construction industry. ABC company paid XYZ company an inducement to refrain from bidding for a contract tender issued by a government entity. Which of the following **BEST** describes the procurement scheme perpetrated by ABC and XYZ companies?
- A. Both ABC and XYZ engaged in bid rotation
  - B. XYZ engaged in bid rigging
  - C. Both ABC and XYZ engaged in bid suppression
  - D. XYZ engaged in bid suppression
85. Which of the following financial statement fraud scheme is **NOT** associated with financial performance fraudulent reporting of an organisation
- A. Overstatement of revenues
  - B. Understatement of expenditure
  - C. Improper valuation of non-current assets
  - D. Capitalisation of expenses
86. Which of the following is a financial statement fraud scheme that is **NOT** associated to fraudulent reporting of the financial position of the organisation
- A. Improper disclosures
  - B. Improper non -assets valuation
  - C. Improper current assets valuation
  - D. Concealed liabilities
87. Which of the following **BEST** describes the form of corruption where a public official receives money and use his position to influence a decision or an act?
- A. Bribery
  - B. Commercial Bribery
  - C. Official Bribery
  - D. Kickbacks
88. Which of the following **BEST** describes a healthcare fraud scheme in which a provider bills for a higher level of service than they actually provided
- A. Unbundling
  - B. Overutilisation
  - C. Upcoding
  - D. Double billing
89. Which of the following statement **BEST** describes a bid rotation procurement scheme?
- A. There is a pattern of winning bids
  - B. Competitive bidders refrain from bidding
  - C. Bidders issue complementary bids
  - D. Bidders collude with employees of the procuring entity to rig the bids
90. Anna is an employee in the procurement department of company XYZ. Anna creates a shell company by the name of Compt Ltd. She purchases goods and then sells them to her employer through the shell company at an exorbitant price. This type of fraudulent scheme perpetrated by Anna can **BEST** be described as which of the following scheme?
- A. Pay and return scheme
  - B. Personal purchases through false invoicing
  - C. Pass through scheme
  - D. False purchase requisition scheme
91. Which of the following is **NOT** a red flag of bid rotation scheme?
- A. Losing bidders are subcontracted by the winning bidder
  - B. A pattern of winning bids
  - C. Extremely high prices of bids even for the lowest bid
  - D. All the above
92. Which of the following is **NOT** a method that can be used to prevent a computer from being infected by malware softwares?
- A. Update the latest security patches
  - B. Use anti-malware software
  - C. Update the operating system regularly
  - D. None of the above

93. Which of the following is **NOT** a technical security control for securing computer systems and communication networks?
- A. To install operating system security
  - B. To install network security defenses
  - C. To encrypt sensitive data files
  - D. Logical access control
94. Which of the following statements is **NOT** accurate in regard to cybersecurity?
- A. Cybersecurity is the protection of computer systems and networks against unauthorized, use, disclosure modification or disclosure
  - B. Security controls slow down production, therefore securities officers, users, system operation and administrators should work together to draw a balance between security and production
  - C. The purpose of security controls is to enhance production
  - D. None of the above
95. Which of the following is **NOT** accurate in regard to computer technical security?
- A. Technical security can also be referred to as logical control
  - B. Technical security involves use of safeguards incorporated into computer hardware and software
  - C. Encryption and anti-virus software are examples of technical security
  - D. Security policies and procedures are types of technical security
96. There are several financial statement fraud schemes that are perpetrated by management and directors to misrepresent the financial performance and position of the organisation. Which of the following is **NOT** one of those schemes?
- A. Omission of liabilities
  - B. Capitalising expenses
  - C. Improper recognition of revenue
  - D. None of the above
97. Which of the following is **NOT** a common reason why management engage in fraudulent financial reporting?
- A. To meet compliance requirements
  - B. Pressure for performance bonuses
  - C. To avoid negative publicity
  - D. Immediate financial gain
98. Which of the following statement is **NOT** true in regard to methods used by identity thieves to steal personal and business information?
- A. Identity thieves use ransomware, to collect the victim's personal information
  - B. Identity thieves often engage in impersonating the victim
  - C. Identity thieves can use company employees to provide them with customer's information
  - D. None of the above
99. Which of the following statement is **NOT** Accurate in regard to related party- transactions?
- A. Related party-transactions must be disclosed in the financial statements
  - B. Undisclosed related party-transactions is a type of financial statement fraud related to inadequate disclosure
  - C. Related party transactions not allowed because they are fraudulent
  - D. All the above
100. Which of the following is **NOT** a method in which fraud can be perpetrated through the electronic transfer?
- A. A biller might send a bill for services not rendered or for goods not delivered
  - B. A person who has stolen information of another person's bank account might instruct a biller to obtain payment from the other person's account
  - C. A bank employee might use customer information to direct transfers from a customer's account
  - D. None of the above
- .....



## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE ONE

#### FRAUD AND CORRUPTION SCHEMES

**MONDAY: 5 December 2022. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Which of the following is a red flag of bid suppression rigging scheme?
  - A. Submission of complementary bids
  - B. Failure to re-bid
  - C. Need recognition scheme
  - D. All the above
2. Which of the following is **NOT** correct in regard to fraudulent financial reporting?
  - A. An organisation can misrepresent its financial performance and position through failure to write off bad debts
  - B. An organisation can misrepresent its financial performance through failure to accrual expenses
  - C. An organisation can misrepresent its financial performance by recognising revenue of a completed and delivered portion of a long contract job
  - D. All the above
3. Which of the following is an example of a skimming scheme?
  - A. Teeming and lading
  - B. Using one banking slip to credit several accounts
  - C. Recording receipts two months after they were collected
  - D. All the above
4. ABC is a government ministry. The management has put measures in place to prevent bribery, that is declaring gifts in cash or other items. Which of the following type of bribery payment method is used to pay large amounts of bribes and is hard to detect?
  - A. Cash payments
  - B. Interest in a business
  - C. Gift vouchers
  - D. None of the above
5. Health care providers defraud insurance companies and government health program through, intentional charging of one procedure as two separate procedures. Which of the following **BEST** describe this health care provider fraudulent scheme?
  - A. Unbundling scheme
  - B. Up - coding scheme
  - C. Fictitious services
  - D. Capper scheme

6. There are several financial statement fraud schemes that are perpetrated by management and directors to inflate the organisations' liquidity ratio. Which of the following is one of those schemes?
- A. Omission of payables
  - B. Over valuation of fixed assets
  - C. Writing off bad debts
  - D. All the above
7. Which of the following **BEST** describe a fraudulent billing scheme?
- A. Pay and return scheme
  - B. Payment of personal expenses included in a business invoice
  - C. Fraudulent disbursement
  - D. All the above
8. Both internal and external auditors have a responsibility to detect fraud in the course of their respective audit assignments. Which of the scheme is related to improper inventory valuation?
- A. Failure to write obsolete inventory
  - B. Recording inventory at the realizable value
  - C. Recording physical inventory
  - D. All the above
9. Which of the following statement is **TRUE** in regard to theft of data and intellectual property of organisations?
- A. Organisations should conduct exit interviews, to remind employees leaving the organisation about the non - disclosure agreement with the organisation
  - B. A new employee from a competitor cannot expose the new employer to liability by using or disclosing secrets obtained from his previous employer in the course of his employment.
  - C. A company can only be held liable for misappropriation of proprietary information even if they are aware that its employee is using or disclosing secrets in the course of his employment.
  - D. All the above
10. Which of the following is a common red flag of financial statement fraud?
- A. Living beyond their means
  - B. Unrealistic targets
  - C. Positive cash flow balances while making losses
  - D. All the above
11. Kate received a text voice saying that somebody is trying to use his account fraudulently through internet banking. Which of the following **BEST** describes this social engineering scheme?
- A. Pharming
  - B. Vishing
  - C. Phishing
  - D. None of the above
12. A social phishing scheme in which an internet user is fooled into entering sensitive data into a malicious website that impersonates a legitimate website is referred to as?
- A. Rock Phishing
  - B. Business email compromise
  - C. Pharming
  - D. All the above
13. When identity thieves steal a credit card together with the Pin number, they would usually buy expensive items. Identify this type of identity theft scheme \_\_\_\_\_.
- A. Individual identity theft
  - B. Accounts take over
  - C. Business identity theft
  - D. None of the above

14. One of the key elements of a well-designed internal control system is, the separation of duties which is fundamental to data security. Which of the following is **NOT** a recommended practice?
- A. Information systems personnel's access to production data should be unlimited.
  - B. Application system users should only be granted access to those functions and data required for their job duties.
  - C. Program developers should be separated from program testers.
  - D. System users should not have direct access to program source code
15. Procurement fraud occurs even when there is compliance with procurement procedures and regulations. Which of the following is **NOT** a bid submission scheme?
- A. Bid rotation
  - B. Defective pricing
  - C. Bid tailoring
  - D. Complementary bids
16. ABC government agency, planned and budgeted for six expensive vehicles to replace other similar vehicles that were not even two years old. The budget was approved and the vehicles were bought. Which of the following **BEST** describe this type of procurement fraud scheme?
- A. Bid rigging scheme
  - B. Bid manipulation scheme
  - C. Need recognition scheme
  - D. None of the above
17. Lorla, an employee of a person-to-person payment company, has been stealing account numbers and passwords of customer accounts with the intent of fraudulently using them to make online payments. Which of the following describes the fraudulent scheme?
- A. Internet fraud
  - B. Credit card fraud
  - C. Electronic funds transfer
  - D. All the above
18. Which of the following is **NOT** a safeguard that banks can employ to reduce the risks of unauthorised electronic funds transfers?
- A. Ensure that the area or city code in the applicant's telephone number matches the geographical area for the applicant's address.
  - B. Always mail PINs separately from other information, such as usernames, with which they are associated.
  - C. Apply multifactor authentication to verify transfers via EBPP or P2P systems.
  - D. Send communication concerning usernames or passwords through email or post office box
19. Material cost is susceptible to mischarges in the performance and administration of a contract. Which of the following is a scheme that is perpetrated by contractors to inflate material costs in a negotiated project contract?
- A. Supply of substandard materials
  - B. Failure to disclose discounts obtained through bulk buying
  - C. Disclosing discounts obtained
  - D. All the above
20. Which of the following is the **BEST** definition of a key logger?
- A. A type of software that, while not definitely malicious, has a suspicious or potentially unwanted aspect to it.
  - B. A self-replicating computer program that penetrates operating systems to spread malicious code to other systems
  - C. A type of program that monitors and logs the keys pressed on a system's keyboard
  - D. None of the above

21. Which of the following is one of the five common scenarios for BEC (Business email compromise) schemes identified by Federal Bureau of Investigation (FBI)?
- A. Fraudsters posing as a company's foreign supplier send an email to the company and request that funds be transferred to an alternate account controlled by the fraudsters.
  - B. A fraudster using text messages to request for personal sensitive information
  - C. A fraudster directing victims to a malicious website to make payment.
  - D. All the above
22. Which of the following is **NOT** an information security goal that an e-commerce system should be designed to provide its users and asset holders?
- A. Integrity of data
  - B. Authentication of data
  - C. Repudiation
  - D. All the above
23. Which of the following is **NOT** a red flag of a bid tailoring scheme?
- A. Unexplained changes in contract specifications from previous proposals or similar items
  - B. Low number of competitive awards to one supplier
  - C. Specifications developed by or in consultation with a contractor who is permitted to compete in the procurement
  - D. High number of change orders for one supplier
24. Which of the following is **NOT** a red flag of bid rigging by contractors?
- A. Contractors sub-contract losing bidders
  - B. All competent contractor submits bids
  - C. A winning bids pattern
  - D. Bid market division
25. Which of the following is a red flag of a need recognition scheme?
- A. Writing off large numbers of surplus items as scrap and followed by a reorder of items
  - B. A need that is defined in a way that can be met by several suppliers or contractors.
  - C. Orders are made at optimal level
  - D. None of the above
26. Defective pricing is one of the procurement fraud schemes perpetrated during the solicitation phase of the procurement process. Which of the following is a red flag of defective price fraud scheme?
- A. The contractor delivers substandard goods
  - B. The contract or uses invalid costs schedules
  - C. The winning bidder contract the losing bidders
  - D. None of the above
27. Which of the following **BEST** describe spear phishing?
- A. Obtaining sensitive data through smishing
  - B. Stealing private, financial data through pharming
  - C. Obtaining information by targeting a corporate entity or a specific employee via an email
  - D. Using botnets to send massive amounts of phishing emails to a huge amount of internet users
28. Which of the following is a type of logical access control that can be used to control access to a computer and computer systems?
- A. Biometric Systems
  - B. Lock and keys
  - C. Intrusion detection system
  - D. None of the above

29. Which of the following **BEST** describe the computer security controls that use detection intrusion systems, firewalls and encryption?
- A. Administrative security
  - B. Technical security
  - C. Physical Security
  - D. All the above
30. To establish mechanisms to prevent unauthorised systems access, management must actively monitor the effectiveness of their security controls and identify any control deficiencies. Which of the following techniques **BEST** describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Penetration test
  - B. Detection intrusion system
  - C. Network security system
  - D. None of the above
31. All the following methods can be used to protect personal information from identity theft **EXCEPT**?
- A. Protect computers with strong and regularly updated firewalls and anti-virus software
  - B. Avoid using public Wi-Fi networks
  - C. Limit the amount of information shared in social media
  - D. Develop security questions containing personal information that is publicly available
32. Which of the following is a fraud scheme that involves using an individual's stolen credit card or credit card number to purchase goods or services?
- A. Identity theft scheme
  - B. Accounts takeover
  - C. Credit card counterfeit
  - D. All the above
33. Highrise Construction Company and another four companies agreed to inflate the cost of a bid, by the other four companies submitting bids each time the lowest with Highrise bid being the lowest. In comparison with the market price, the cost of the lowest bid was very high. Which of the following **BEST** describe the procurement scheme Highrise construction company and the other four companies were involved in?
- A. Bid rigging
  - B. Bid rotation
  - C. Bid manipulation
  - D. None of the above
34. Which of the following statement is **NOT TRUE** in regard to social engineering?
- A. Phishing is a type of social engineering scheme that involves impersonating a trusted individual or entity and manipulate victims into providing sensitive
  - B. Pharming is an attack in which the perpetrator uses text messages to fool victims in providing sensitive personal information
  - C. A vishing scheme is generally transmitted as an incoming recorded telephone message that uses a spoofed caller ID matching the identity of a misrepresented organisation.
  - D. Smishing is a hybrid of phishing and short message service (text messaging). These schemes use text messages or other short message systems to conduct phishing activities.
35. Which of the following is **NOT TRUE** about rock phishers?
- A. Rock phishers use botnets to send massive amounts of phishing emails to huge volumes of internet users.
  - B. The emails contain a message from a financial institution, enticing users to click on a fraudulent URL.
  - C. Rock phishing is the same as business email compromise
  - D. Rock phishers cycle through multiple email lists and attempt to reach the internet users



36. Which of the following is **NOT** a method of authenticating users in information systems?
- A. Use of biometrics
  - B. Use of card-based systems
  - C. Use of profiling software
  - D. Encryption
37. Which of the following is a type of network security systems that are designed to supplement firewalls and other forms of network security to detecting malicious activity coming across the network?
- A. Intrusion detection systems
  - B. Network access controls systems
  - C. Logical access controls systems
  - D. Administrative controls systems
38. Which of the following is a red flag of a bid specification scheme?
- A. Bid manipulation
  - B. Competitive bidding
  - C. Narrow specifications for the type of goods or services being procured.
  - D. A contract is re-bid even when fewer than the minimum number of bids are submitted
39. Credit card fraud is a common type of financial institution fraud. Which of the following presents the greatest risk of card fraud?
- A. Card at point of sale
  - B. Card counterfeiting
  - C. Card not present
  - D. All the above
40. Which of the following statements about asset misappropriation is **TRUE**?
- A. Cash theft schemes are generally more common than skimming scheme
  - B. Embezzlement is perpetrated by untrusted employees
  - C. Fraudulent disbursements schemes are generally more common than cash theft and cash skimming schemes
  - D. All the above
41. Which of the following statements is **TRUE** in regard to a fraudulent cash refund scheme?
- A. Inventory is not returned to the store
  - B. System inventory balance is understated
  - C. Cash register balance does not tally with the register log balance
  - D. Physical inventory is overstated
42. Which of the following is **NOT** a red flags of malware infection?
- A. The system suddenly, and for no apparent reason, slows down its response time to commands.
  - B. The computer stops responding or locks up frequently.
  - C. The operating system or other programs and applications behave in a predictable manner.
  - D. The computer crashes and then restarts every few minutes.
43. Which of the following is a **NOT** a prevention measure against infection from a malicious program?
- A. Organisation should consider testing only important computer software on an isolated system before loading it.
  - B. In a network environment, organisations should not place programs on the server.
  - C. Organisations should develop corporate prevention policies and an employee education program to inform employees of how malware is introduced and what to do when there is suspicion of malware
  - D. Encourage employees to protect their home systems as well. Many malware infections result from employees bringing infected storage devices or files from home.

44. The management of Innovation Technology Company receives an anonymous tip informing them that their procurement and stores personnel in collusion with the suppliers are engaging in misappropriation of laptops and accessories inventory. Which of the following **BEST** describes this inventory theft scheme?
- A. Purchasing and receiving scheme
  - B. Asset misappropriation scheme
  - C. Corruption
  - D. Conflict of interest
45. Recognising a long-term project revenue in year 1 when only one fifth of the job is completed and delivered to the contracting entity, is a type of financial statement fraud. Which of the following describe the scheme?
- A. A fictitious revenue scheme
  - B. Overstated revenue
  - C. Timing difference
  - D. All the above
46. Which of the following is an illegal method of gathering information from competitors?
- A. Analysing competitor's financial statements
  - B. Reading competitor's newsletters
  - C. Competitive intelligence
  - D. Human intelligence
47. Which of the following is **NOT** a favorite target of intelligence gatherers?
- A. Financial statements
  - B. Commercial court records
  - C. Manufacturing and production
  - D. All the above
48. A person who is deliberately placed in an organisation with the intention of spying on the company's activities and extracting information to pass to the party that has retained him/her is called a?
- A. Mole
  - B. Detective
  - C. Zealot
  - D. None of the above
49. Which of the following is **BEST** practice for non-disclosure and non-competition agreement?
- A. Employees should sign the non-disclosure and a non-competition agreement only at the beginning of an employment
  - B. Inform employees clearly what is considered confidential information only upon hiring,
  - C. At the exit interview ensure that employees sign a statement acknowledging that he understands the terms and conditions of the non-competition and non-disclosure agreements
  - D. All the above
50. Which of the following is the **BEST** describes encryption?
- A. A system that authenticates users by monitoring their statistical characteristics, such as typing speed and keystroke touch
  - B. A system that blocks unauthorised or unverified access to network assets by surveying incoming and outgoing transmissions
  - C. A device that takes information and scrambles it so that it is unreadable by anyone who does not have a specific code
  - D. None of the above
51. Which of the following is **NOT** a method of gaining unauthorised access to a computer through electronic piggybacking?
- A. Pretending to be an employee and enter a restricted area
  - B. Taking advantage of logged on computer session while the user is not on their desk
  - C. Following behind an individual with an access card to enter a restricted area
  - D. All of the above

52. Which of the following is a method used by fraudsters to conceal liabilities and expenses to inflate the current ratio?
- A. Accrual of expenses
  - B. Overstating of expenses
  - C. Capitalising expenditure
  - D. None of the above
53. Billing scheme is a type of fraudulent disbursement scheme. Which of the following is **NOT** a type of a billing scheme?
- A. Expenses schemes
  - B. Shell company schemes
  - C. Using non-compliance vendors
  - D. All of the above
54. Which of the following is **NOT TRUE** about labor mischarges?
- A. Material mischarges are more susceptible than labor charges
  - B. Labor mischarges involve charging higher rate personnel to perform work at lower rates
  - C. Labor mischarges involve using project negotiated labor for other unrelated project
  - D. None of the above
55. Which of the following is **NOT** correct about a current ratio?
- A. Current ratio is used to determine if an organisation is a going concern
  - B. Current ratio is calculated by dividing current assets with current liabilities
  - C. Current ratio is used to measure an organisation's assets
  - D. None of the above
56. Tracy, a Certified Forensic Fraud Examiner works as an internal auditor for a government health care program. She wants to conduct a fraud audit of the claims department. Which of the following fraud schemes should she look out for?
- A. Bundling schemes
  - B. Claims that are inconsistent with the claimants expected diagnosis and medication
  - C. Coding schemes
  - D. All the above
57. Which of the following is **NOT** correct in relation to bank reconciliations statement?
- A. Bank reconciliation statement can help to detect cash misappropriation
  - B. Unbalanced bank reconciliation statement is a high risks of asset misappropriation
  - C. A false balanced bank reconciliation is both a red flag and a risk of asset misappropriation
  - D. None of the above
58. Omission of expenses that has been incurred is a type of financial statement fraud scheme. Which of the following **BEST** describe this type of scheme?
- A. A fictitious expenses scheme
  - B. Concealed expenses
  - C. Capitalisation of expenditure
  - D. None of the above
59. Which of the following procurement fraud schemes involve a procurement employee sharing bids information with vendors and contractors?
- A. Bid specification
  - B. Bid manipulation schemes
  - C. Bid tailoring
  - D. None of the above

60. Rainbow company conducted an analytical review on the company's cost of goods sold and revenue earned. The analysis revealed that the cost of sales had increased by 70 percent the previous year. Revenue only increased by 30 percent. This scenario is a red flag of which of the following?
- A. The quantity of purchases was lower than the previous year.
  - B. Sales were low in the current year compared to the previous year
  - C. Inventory was being depleted by theft.
  - D. All the above
61. Which of the following is **NOT** a method that a fraudster might use to conceal inventory shrinkage?
- A. Writing off stolen inventory as scrap
  - B. Falsely increasing the perpetual inventory balance
  - C. Physical padding of inventory
  - D. Altering the perpetual inventory records to decrease the balance
62. Melvin, a waiter at a big restaurant, takes a customer's credit card to process a payment. Melvin swipes the card through a small device that he regularly uses to steal his customers' credit card information. Which of the following **BEST** describe the scheme Melvin is perpetrating?
- A. EFT fraud
  - B. Skimming
  - C. Credit card fraud
  - D. None of the above
63. Which of the following **BEST** describe a malicious software used to simplify or automate online criminal activities?
- A. Ransomware
  - B. Spyware
  - C. Crimeware
  - D. None of the above
64. Which of the following are **NOT** a red flags of insider computer fraud?
- I. Access privileges are limited to those required to perform assigned tasks.
  - II. Access logs are regularly reviewed.
  - III. Production programs are run during normal business hours.
  - IV. Exception reports are reviewed and resolved.
- A. III and IV only
  - B. II and IV only
  - C. I and III only
  - D. I, II, III and IV
65. The type of fraud that targets groups of people who have some social connection, such as neighborhood, professional association of racial minorities or immigrant groups, is referred to as:
- A. Consumer fraud
  - B. Affinity fraud
  - C. Ponzi scheme
  - D. Pyramid scheme
66. Which of the following statement is **CORRECT** in regard to Business email compromise?
- A. Attackers target payable accountants in the organisation who are responsible of making large amounts of payments
  - B. Attackers target any individuals in the organisation
  - C. Business compromise is a type of technical surveillance attack
  - D. Business compromise is a type of a social engineering scheme

67. A non-performing bank loan is a red flag for fraud. Which of the following is a fraud scheme that is often associated with a nonperforming loan?
- A. Draw request
  - B. Fraudulent appraisal
  - C. Construction overheads
  - D. All of the above
68. Which of the following methods might be used to conceal a sham loan in which the loan officer receives part of the loan proceeds?
- A. Letting the loan go into arrears
  - B. Writing off the loan as a bad loan
  - C. Turning the loan over to a collections agency
  - D. All the above
69. What is the primary difference between a Ponzi scheme and a pyramid scheme?
- A. A pyramid scheme promotes itself as a pyramid, whereas a Ponzi scheme promotes itself as an investment opportunity.
  - B. A Ponzi scheme is promoted by encouraging victim members to recruit new members.
  - C. All pyramid schemes are legal, whereas all Ponzi schemes are illegal.
  - D. In a pyramid scheme, old investors are paid with money from new investor
70. Which of the following is a common scheme perpetrated by suppliers of reusable medical equipment?
- A. Providing quality expensive equipment
  - B. Falsifying prescription for medical equipment
  - C. Billing up to the time the equipment is returned
  - D. None of the above
71. Which of the following is **NOT** considered to be a red flag of a Ponzi scheme?
- A. An investment with fluctuations returns responding to financial markets
  - B. A financial manager who manages, administers and retains custody of the investment funds
  - C. A financial manager who puts an unusual amount of pressure on investors to act immediately
  - D. An investment that promises extremely high or short-term returns with very low risk
72. Which of the following scheme **BEST** describe a scheme, where a fraudster scheme, contacts a victim of consumer fraud promising to assist in retrieving the lost money. However, the investigation requires an upfront fee and the consumer is swindled again.
- A. Scavenger
  - B. Debt consolidation
  - C. Advance-fee swindle
  - D. None of the above
73. Which of the following is one of the real estate loan fraud scheme?
- A. Fraudulent draw requests
  - B. Fraudulent disbursements
  - C. Request for overheads
  - D. Hold backs
74. Peter obtained a loan from Riverside commercial bank. Peter gave the bank a security interest in his commercial property. Before lien was filed, Peter managed to get another loan from Savannah bank using the same commercial property as collateral. Which of the following schemes did Peter perpetrate?
- A. Security skimming
  - B. Air loan
  - C. Theft of security
  - D. None of the above

75. High percentages of returns, missing compliance certificates, and evidence of falsified inspection test results, are red flags of which of the following procurement fraud scheme?
- A. Bid manipulation scheme
  - B. Substandard goods
  - C. Bid rigging
  - D. Excessive goods
76. Which of the following can **BEST** describe a fraud perpetrated by medical providers, medical suppliers, or medical facilities on patients or health care programs to increase their own income through fraudulent schemes.
- A. Fictitious services fraud
  - B. Insurer fraud
  - C. Provider fraud
  - D. None of the above
77. Which of the following statements in regard to financial statement fraud is **CORRECT**?
- A. Fictitious revenue scheme would lead to overstated receivables
  - B. Inflated expenses scheme would lead to overstated liabilities
  - C. Capitalisation of expenditure would lead to understated profits
  - D. None of the above
78. Which of the following statement in regard to the effect of fraudulent transactions on the financial statement is **FALSE**?
- A. Overstated receivables will result to an inflated current ratio
  - B. Understated current liabilities will result to an inflated current ratio
  - C. Overvaluation of inventory will result to an inflated current ratio
  - D. Understated current liabilities will result to unfavorable current ratio
79. Sophie works for liberty commercial bank at the back office. Sophie has been monitoring an elderly woman's account for some time and noted that the account has been inactive for about five years. She then makes a withdrawal from the woman's account. Which of the following **BEST** describes the bank employee's scheme?
- A. Unauthorised disbursement of funds
  - B. Unauthorised withdrawal
  - C. Embezzlement of customers' funds
  - D. None of the above
80. Ian is an accountant of ABC state corporation. Ian is in charge of receivables accounts. Ian colluded with a customer to write off the customer's debt in the books. The customer gave Ian some cash as a reward for wiring off his big amount of debt. Which of the following **BEST** describe Ian's fraudulent scheme?
- A. Bribery and skimming
  - B. False accounting
  - C. Understatement of receivables
  - D. Pass through scheme
81. Which of the following **BEST** describe human intelligence theft of intellectual property scheme?
- A. A corporate spy of a competing company poses as a customer to elicit information from the competitor's marketing staff
  - B. A corporate spy creates a malicious website that tricks employees from a competing company into providing confidential information.
  - C. A corporate spy installs software on the computer of an employee from a competing company to monitor an employee's communications.
  - D. A corporate spy breaks into a competing company's office and steals sensitive information

82. Which of the following is a **BEST** practice of safeguarding proprietary information?
- A. Developing and implementing a risk based information security
  - B. Lack of data minimization
  - C. Lack of data retention and data destruction policy
  - D. All the above
83. Which one of the following statements **BEST** describe methods typically used for making corrupt payments in bribery and corruption schemes?
- A. Bribe payers often make corrupt payment by paying for cheap holidays for the recipient
  - B. Payers often make corrupt payment by taking a debit card on behalf of the recipient and make monthly payments for amount spent
  - C. Bribe payments can be made in form of a property sold to the recipient below the market value
  - D. None of the above
84. Which of the following is a type of a Skimming schemes?
- A. Fictitious revenue
  - B. Overstated revenue
  - C. Writing receivables off
  - D. All the above
85. Apollo is an internal auditor of a government referral hospital. He has received a tip that the cashiers are skimming government revenue. Which of the following detection methods can Apollo apply to detect the skimming scheme?
- A. Conduct analytical review
  - B. Preparing a bank reconciliation
  - C. Comparing the receipts with the bank deposits
  - D. None of the above
86. Ken is an accountant at Black company Ltd. Ken has noted that the repairs and maintenance account has surpassed the budgeted amount. Ken wants to conceal the overspending to avoid audit queries. Which of the following transaction can help to conceal the overspending?
- A. Credit repairs and maintenance account and debit payables account
  - B. Credit repairs and maintenance account and credit receivables account
  - C. Debit repairs and maintenance account and credit furniture and fittings account
  - D. None of the above
87. Which one of the following statements is **TRUE** in regard to the types of workers' compensation fraud schemes?
- A. The agents collect premium and submit all the premiums to the insurance company
  - B. A lawyer, doctor and a claimant cannot collude to defraud an insurance company
  - C. In premium fraud, an employer understates the amount of payroll under high-risk classifications to get a lower-cost premium
  - D. None of the above
88. Which one of the following statements is **TRUE** in regard to recording inventory in the books of account to ensure proper inventory valuation?
- A. Record book balances in the financial statement regardless of whether they tally with the physical stock
  - B. Inventory should be recorded at market value
  - C. Obsolete inventory should be written off to avoid improper inventory valuation
  - D. None of the above
89. Which one of the following is a solicitation phase, procurement fraud schemes involved in competitive bidding process?
- A. Need recognition
  - B. Defective pricing
  - C. Bid splitting
  - D. None of the above

90. Which of the following is a method that is used to manipulate and destroy data?
- A. Buffer overflow exploits
  - B. Key loggers
  - C. Scavenging
  - D. Phishing
91. An organisation should put all the following measures to mitigate the risk of cybercrime **EXCEPT**?
- A. Put cybercrime/fraud loss fidelity cover together with employee's dishonesty fidelity cover
  - B. Conduct security audits
  - C. Put a response plan in place
  - D. All the above
92. One of the data control methods involve data classification. Which of the following statement is **NOT** correct in relation to data classification?
- A. Data classification involves categorisation of data for effectiveness and efficient use
  - B. Data classification involves assigning economic value to data and establishing a structured approach for data management
  - C. Data classification involves allocating equal level of control to all data categories appropriate controls that are commensurate to the risks assessed
  - D. None of the above
93. Computer, computer systems and internet are vulnerable to attacks, therefore organisations need to conduct regular proactive detection. Which of the following is a type of proactive detection measure for computer, computer systems and internet?
- A. Privilege escalation
  - B. Log management and analysis
  - C. Data internal controls
  - D. None of the above
94. Which of the following is **TRUE** about insider computer fraud?
- A. The most common methods of insider fraud involve alteration or falsification of input transactions
  - B. Insiders are usually not aware of the internal control weaknesses
  - C. Insider fraud is a type of cybercrime
  - D. None of the above
95. Which of the following is **NOT** a method used to destroy and manipulate data?
- A. Using malware to infect computers
  - B. Using the salami technique to steal a substantial amount of money by "slicing" off "thin" amounts of cash repeatedly over time
  - C. Using profiling software
  - D. All the above
96. Which of the following is **CORRECT** about internet of things (IOT) technology?
- A. IOT technology tends to focus on privacy or security rather than innovative design
  - B. IOT technology tends to focus on innovative design rather than privacy or security
  - C. IOT devices commonly connect to networks using inadequate security
  - D. All the above
97. Which of the following describes the method used to gain unauthorised access through the use of a secret point into the program?
- A. Trap door
  - B. Back door
  - C. Electronic piggybacking
  - D. None of the above



98. Which of the following statement is **NOT** correct in regard to access control?
- A. The primary purpose of physical access controls is to prevent unauthorised access to computer software
  - B. The primary purpose of logical access controls is to prevent unauthorised access to computer software
  - C. Card system is a type of a physical control
  - D. Use of password is a type of a logical control
99. Which of the following is **NOT** a type of administrative security controls?
- A. Security policies and procedures
  - B. Security awareness and education
  - C. Encryption security control
  - D. Security reviews and audit
100. Which of the following is **NOT** a method that procuring employee might use to perpetrate bid manipulation scheme?
- A. Extending bids, opening dates without proper justification
  - B. Opening bids prematurely
  - C. Altering bids
  - D. Contractor's cost estimates are inconsistent with its prices

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**CFFE MODULE I**

**PAPER NO.2: FRAUD AND CORRUPTION SCHEMES**

**EXAMINATION**

**Answer ALL questions.**

**Time allowed: 3 Hours.**

1. Which of the following is NOT a red flag for procurement need recognition scheme?
  - A. Procuring entity write off large quantities of inventory items as scrap
  - B. Procuring entity does not have an adequate back up list of suppliers
  - C. Procuring entity orders material at optimal reorder level**
  - D. Procuring entity usually has high requirements for inventory
2. Risk assessment plays a critical role in protecting digital assets. Which of the following BEST describe the assessment process?
  - A. Identifying both physical and digital assets
  - B. Value the assets
  - C. Identifying risks and threats, and calculating loss per risk
  - D. All the above**
3. Procurement fraud is a big concern globally, and is currently one of the major, very costly and common type of fraud. One of the contract and procurement fraud involves collusion among vendors and contractors. Which of the following is a red flag for bid rigging during contract solicitation phase?
  - A. Winning contractors subcontract losing bidders
  - B. Some bids do not meet basic solicitation documentation requirements
  - C. Qualified contractors fail to bid
  - D. All the above**
4. Business email compromise is a type of a social engineering scheme which is a new form of spearphishing. Which of the following is TRUE about Business email compromise?
  - A. Attackers target company/organization's executives
  - B. Attackers target individuals who can authorize large amounts of payments
  - C. Employees who receive emails requesting for payments should first verify the person requesting for payment by calling the persons' known telephone number
  - D. All the above**
5. Which of the following statements about asset misappropriation is TRUE?
  - A. Cash larceny/theft schemes are generally more difficult to detect than skimming scheme

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- B. Cash misappropriation is the most difficult type of cash receipt scheme to detect.
  - C. **Skimming schemes are generally more difficult to detect than cash theft/ larceny**
  - D. Both cash larceny and skimming are equally difficult to detect
6. Which of the following statements is TRUE regarding a fictitious cash refund scheme?
- A. Inventory is returned to the store
  - B. Physical inventory is understated
  - C. **The amount of cash in the register balances with the register log**
  - D. All of the above
7. ABC Hospital is a big government organization with several receipting points. The cashiers have formed a corrupt behavior of colluding with the patients. The cashiers have devised a scheme, where they collect half the amount the patient is supposed to pay, and use the banking slip of another patient to receipt the services of the next patient. Which one of the following BEST, describes this kind of fraudulent activity?
- A. Fraudulent cash disbursement scheme
  - B. Teeming and lading/ lapping scheme
  - C. **Skimming scheme**
  - D. Cash theft scheme
8. Which of the following situations is an example of Diagnostic related grouping(DRG)creep?
- A. **The hospital has unethical behavior of intentionally coding and documenting minor procedures as major operation**
  - B. The hospitals send duplicate bills to a healthcare program for the same treatment
  - C. A medical provider sells patients information to third parties who use them to make false medical claim
  - D. A medical provider creates false diagnosis for patients and bills for services that has not been rendered
9. There are several financial statement fraud schemes that are perpetrated by management and directors to conceal expenses and liabilities in the financial statements. Which of the following is NOT one of those schemes?
- A. Failure to disclose warranty costs and product- return liabilities
  - B. Capitalizing expenses
  - C. **Recording expenses that have not been incurred**
  - D. All the above
10. In order for a ghost employee fraud scheme to occur the payroll accountant must enter a fictitious employee on the payroll
- A. True

**B. False**

11. When an auditor or a forensic auditor/investigator is performing an inventory fraud detection assignment in response to allegations of theft of inventory, which of the following concealment methods should the investigator be aware of to enable him/her to know where to look for fraud
- A. Alteration of the perpetual inventory
  - B. Physical padding
  - C. Collusion between warehouse personnel and persons conducting the physical count to inflate the inventory physical figures
  - D. All the above**
12. When reporting the financial performance and position of an organization, there are various methods that the fraudster can use to misrepresent the financial statement to make the organization appear financially strong while it is not. Recording fictitious revenue is one of those schemes. Which of the following statements is NOT true in regard to a fictitious revenue scheme?
- A. The organization's net profit will be overstated
  - B. The current ratio will be fraudulently inflated
  - C. Accounts receivable will be overstated
  - D. Accounts payables will be overstated**
13. When a spy hacks into a target computer and monitors an employee's communications, which of the following BEST illustrates the use of technical surveillance for purposes of theft of intellectual property?
- A. A spy creates a deceptive website and tricks employees into entering confidential information
  - B. A spy uses a phony employee badge to enter an office and take a sensitive document
  - C. A spy impersonates a help desk representative to obtain an employee's network password
  - D. None of the above**
14. Which of the following is a common reason why management might commit financial statement fraud?
- A. To make the organization appear like is performing well.
  - B. To obtain favorable financing terms
  - C. To attract investment
  - D. All the above**
15. Janet receives a voicemail message saying that her credit card might have been used fraudulently. She is asked to call a phone number that, when she calls the number, she can hear a list of voices that closely resembles those used by her credit card company. The phone number even appears to be similar to that of her card issuer.

Janet is a victim of a social engineering scheme. Which of the following BEST describes this social engineering scheme?

- A. Spear phishing
- B. SMiShing
- C. Vishing**
- D. Pharming

16. A social engineering scheme in which an internet user is fooled into entering sensitive data into a malicious website that impersonates a legitimate website is referred to as:

- A. Phishing
- B. Pharming**
- C. Spear phishing
- D. SMiShing

17. Which of the following statement is TRUE in regard to methods used by Identity thieves to steal personal and business information?

- A. Identity thieves use *spyware*, to collect the victim's personal information
- B. Identity thieves often engage in pretexting through impersonating the victim
- C. Identity thieves change the victim's mailing address or email address to an address that can be accessed by the identity thief
- D. All the above**

18. Separation of duties is critical within the information technology department and between information systems and business unit employees. Which one of the following is NOT a good separation of duties?

- A. IT department personnel should not perform user department duties
- B. End users should not have access to production data that is not within the scope of their duties
- C. Programmers working as database administrators**
- D. Programmers should not be responsible for testing programs.

19. ATMs fraud is one the financial institution fraud schemes. Which of the following is an example of an ATM fraud scheme?

- A. Counterfeit ATM cards
- B. Unauthorized access to PINS and Account codes
- C. Employee manipulation
- D. All the above**

20. Which of the following is TRUE in regard to Related party- transactions?

- A. Undisclosed related party- transactions is a type of financial reporting fraud
- B. Related party- transactions can create prime opportunity for fraudulent activities
- C. Related party- transactions is a high fraud risk
- D. All the above**

21. In a computer environment, proactive detection of malicious activity should be serious business. Which of the following refers to the type of network security systems that are designed to supplement firewalls and other forms of network security by detecting malicious activities coming across the network or on a host?
- A. Network access controls
  - B. Network address prevention systems
  - C. Intrusion detection systems**
  - D. Intrusion admission systems
22. Credit card fraud is major type of financial institution fraud. Fraudster keep on devising new methods of credit card fraud. Which of the following is the most common and CURRENT credit card fraud?
- A. Account takeovers**
  - B. Card counterfeiting
  - C. Advance Payment
  - D. All the above
23. Company XYZ, a computer accessories vendor submits an inflated invoice to Ultimate Ltd. Martin is the accounts payable accountant at Ultimate Ltd, Martin, intentionally ensure that the inflated invoice is paid. The vendor in return reward Martin for his assistance and give Martin some money. Which of the following fraud scheme BEST describes Martin and the vendor's scheme?
- A. Bribery Scheme
  - B. Facilitation fees scheme
  - C. Kickback Scheme**
  - D. Purchasing Scheme
24. Which of the following is NOT an advantage of using smart cards?
- A. Smart cards cannot be easily replicated
  - B. Smart cards include a wide variety of hardware and software features capable of detecting and reacting to tampering attempts
  - C. Smart card detects intrusion and shuts itself down, rendering the card useless
  - D. Smart cards are not immune to physical, side-channel, and environmental attacks**
25. Which of the following actions is NOT an example of an EFT transaction?
- A. A customer withdraws funds from his own account using an ATM
  - B. A person using PayPal to pay for clothes at a department store**
  - C. A customer purchases goods from a merchant who swipes his debit card through a point of sale device authorizing deduction from the customer's account
  - D. A customer transfers funds from the customer bank account to a third party through his computer

26. Jack is an operations manager at LMN bank that has recently experienced an increase in the amount of fraud related to electronic funds transfers (EFT). Which of the following methods should Jack NOT implement to reduce his bank's exposure to EFT fraud?
- A. **Ensure that the employees who have custody of information relating to accessing devices, verify and issue PIN numbers**
  - B. Send a "welcome" letter to new customers to determine if the address submitted on the account application is valid
  - C. Employ multi-factor authentication to verify EBPP or P2P transfers
  - D. Always mail the PIN separately from the other information
27. Ronald, a petrol station attendant, takes a customer's credit card to process a payment. While the customer is not attentive, Ronald swipes the card through a small device that he regularly uses to steal his customers' credit card information. Which of the following fraud scheme is Ronald perpetrating?
- A. Scanning
  - B. **Skimming**
  - C. Factoring
  - D. Piggybacking
28. Material and labour are susceptible to mischarges in the performance and administration of a contract. Which of the following is a method that is used by contractors to inflate material cost in negotiated contract?
- A. Buying materials at the negotiated prices
  - B. Disclosing discounts obtained through bulk buying
  - C. **Failure to disclose discounts obtained**
  - D. None of the above
29. Lisa works as a cashier at a local bank, where she is charged with receiving and processing customer's checks. As a Certified Forensic Fraud Examiner, which of the following methods would you recommend to Lisa to ensure that she is able to detect fraudulent checks?
- A. Be diligent in examining checks drawn from non-local banks and require positive identification
  - B. **Only accept checks with magnetic ink used for routing numbers appears reflective and shiny**
  - C. Be aware of discolorations caused by alteration or erasure
  - D. Be aware of checks that are not legibly written and signed.
30. Which of the following is the BEST definition of software virus?
- A. A type of software that, while not definitely malicious, has a suspicious or potentially unwanted aspect to it.

- B. A self-replicating computer program that penetrates operating systems to spread malicious code to other systems
- C. A program that infects other programs by modifying them to include a version of itself**
- D. A type of program that monitors and logs the keys pressed on a system's keyboard

31. Which of the following is NOT an information security goal that an e-commerce system should be designed to provide its users and asset holders?

- A. Integrity and Confidentiality of data
- B. Availability of data
- C. Non-repudiation
- D. Evaluation of data**

32. Which of the following is CORRECT about dishonest contractors in relation to competitive bidding process?

- A. Contractors submit competitive bids
- B. Contractors submit token bids**
- C. Contractors submit invoices for work that has not been performed
- D. Contractors submit bids that are hard to understand

33. Defective pricing is one of the procurement fraud schemes perpetrated during the solicitation phase of the procurement process. Which of the following is a red flag of defective price fraud scheme?

- A. The contractor delivers counterfeit goods
- B. The contract uses valid cost schedules
- C. The contractor's cost estimates are inconsistent with the contract prices**
- D. The contractor submits a request for change orders

34. Which of the following is an accurate definition of spear phishing?

- A. Obtaining sensitive data through the use of short message services
- B. Stealing private, financial data through the use of voice mail
- C. Obtaining information by targeting a corporate entity or a specific employee via an email**
- D. Using botnets to send massive amounts of phishing emails to a huge amount of internet users

35. Which of the following is NOT a type of physical access control device that can be used to control access to physical objects?

- A. Logical access control**
- B. Biometric Systems
- C. Lock and keys
- D. Electronic access cards



36. In computer security controls, the use of passwords, firewalls, encryption, access control software and intrusion detection system are classified as
- A. Administrative security
  - B. Technical Security**
  - C. Physical Security
  - D. Software Security
37. In addition to establishing mechanisms to prevent unauthorized systems' access, management must actively monitor and test their security systems to identify any control deficiencies. Which of the following techniques BEST describes an attempt to exploit the system security for purposes of identifying the systems' vulnerabilities
- A. Computer Security Audit
  - B. Penetration testing**
  - C. Piggybacking
  - D. None of the above
38. Which of the following steps can businesses take to protect personal information and prevent identity theft?
- A. Conduct thorough background checks of contractors and vendors before hiring them.
  - B. Perform regular audits of information-handling practices, network security, and other internal controls.
  - C. Create a data breach response plan.
  - D. All the above**
39. Which of the following BEST describe a fraud scheme that involve using an individual's stolen credit card or credit card number to purchase goods or services?
- A. Identity theft Scheme
  - B. Account takeover scheme**
  - C. Credit card fraud scheme
  - D. All the above
40. Which of the following is NOT a recommended practice that individuals should be aware of to protect themselves from identity theft?
- A. Using a different password for every website, account, or device.
  - B. Reading emails from unknown senders and then delete them from the computer.**
  - C. Avoid unsolicited offers for pre-approved credit cards or other lines of credit.
  - D. Avoid sending personal information, such as a password or government identification number, via email.
41. There several social engineering schemes, and phishing is one of those schemes. Which of the following BEST describes phishing?

- A. A method for gaining unauthorized access to a computer system in which an attacker searches through large quantities of available data to find sensitive information that he can use to perpetrate fraud
  - B. A method for gaining unauthorized access to a computer system in which an attacker bypasses a system's security through the use of an undocumented operating system and network functions
  - C. A method for gaining unauthorized access to a computer in which an attacker hides near the target to obtain sensitive information that he can use to facilitate his intended scheme
  - D. A method for gaining unauthorized access to a computer system in which an attacker fools a target into providing sensitive data by claiming to be from an actual business, bank, ISP or other entity with which the target do business with**
42. ABC company is a supplier for printers in Kenya. Management of ABC company suspects that their procurement and stores personnel are embezzling inventory. Which of the following analysis ratios could be used to detect theft of inventory?
- A. Inventory turnover ratio**
  - B. Low inventory turnover ratio
  - C. High turnover ratio
  - D. None of the above
43. James a cashier at Busan limited takes a check and affix the signature of one of the account signatories. Which of the following BEST describe this scheme?
- A. Check tampering scheme
  - B. Forged maker scheme**
  - C. Forged endorsement scheme
  - D. Authorized maker scheme
44. Recognizing a long term project revenue before the job is completed and delivered to the contracting entity, is a type of financial statement fraud. This type of scheme can BEST be classified as which of the following financial fraud scheme?
- A. A fictitious revenue scheme
  - B. Improper revenue valuation
  - C. Timing differences**
  - D. Overstated revenue
45. Some methods of gathering evidence are legal and others are illegal, which of the following is illegal?
- A. Surveillance
  - B. Espionage**
  - C. Competitive intelligence
  - D. Scavenging

46. Which of the following is a red flag of the existence of a need recognition scheme?
- A. The procuring entity does not have a sufficient back-up list of suppliers
  - B. The procuring entity write off large amount of items as scrap
  - C. The procuring entity order materials above the optimal reorder level
  - D. All the above**
47. Which of the following is one the favourite targets of intelligence gatherers?
- A. Research and Development,
  - B. Marketing,
  - C. Human resources
  - D. All the above**
48. A person who is deliberately placed in an organization with the intention of spying on the company's activities and extracting information to pass to the party that has retained him/her is called a:
- A. Mole
  - B. Sleeper**
  - C. Browser
  - D. Zealot
49. Alice, a human resource manager at micro-labs Ltd wishes to hire Mike as a supervisor on a one-year contract. To protect the company's proprietary information. Which of the following prevention measures is NOT considered as best practice?
- A. Ensure that Mike sign the non-disclosure and a non-competition agreement at the beginning and at the end of the employment, during the exit interview
  - B. Ensure Mike sign a non-disclosure and non-competition at the end of his employment**
  - C. Inform Mike clearly on what is considered confidential information upon hiring, signing of the non –disclosure agreement and during exit
  - D. At the exit interview ensure that Mike sign a statement acknowledging that he understands the terms and conditions of the non-competition and non-disclosure agreements
50. In relation to real estate fraud, which of the following is NOT a red flag of a fraudulent appraisal
- A. The appraisal fee is high**
  - B. The appraiser used invalid comparable to value the property
  - C. Market data does not support the price and absorption figures used to arrive at the value
  - D. The appraiser is on an approved list
51. Which of the following is NOT a red flag of insider computer fraud?
- A. Employees have access privileges that are beyond those required to perform assigned jobs
  - B. Production programs are run at unusual hours

- C. Lack of separation of duties at the data center
- D. Exception reports are reviewed and resolved**

52. Which of the following procurement fraud scheme occurs at the pre-solicitation stage of the procurement process?
- A. Defective Pricing schemes
  - B. Bid tailoring scheme**
  - C. Non- conforming goods and services
  - D. Bid manipulation scheme
53. Which of the following is one the real estate loan fraud scheme?
- A. Fraudulent appraisal
  - B. Mortgage-backed security fraud.
  - C. Equity skimming
  - D. All of the above**
54. Gloria obtained a loan from Bank A, agreeing to give the bank a security interest in his commercial property. Before Bank A's lien was filed, Gloria managed to get another loan from Bank B using the same commercial property as collateral. Which of the following schemes did Gloria perpetrate?
- A. Double-pledging collateral**
  - B. Embezzlement
  - C. Theft of security
  - D. All the above
55. High percentages of returns, missing compliance certificates, and evidence of falsified inspection test results, are red flags of which of the following procurement fraud schemes?
- A. Two or more competing contractors agree to refrain from bidding.
  - B. A contractor delivers goods or services that do not conform to the contract specifications**
  - C. A contractor charging the procuring entity for labour cost that are not allowable.
  - D. A procuring entity's employee manipulating the bidding process to benefit a favored contractor
56. At the end of each financial year, the accounts reflected on the income statement are reduced to a zero balance.
- A. True
  - B. False**
57. Shalie, an accounts payable supervisor for ABC Company, bought supplies for her personal company. Shalie entered the payment vouchers in the ABC Company's accounts payable system for payment. Checks were drawn and paid for the

- unauthorized expenses. Then the goods were shipped to Shalie personal company.  
What type of occupational fraud was Shalie involved in?
- A. Fraudulent disbursement scheme
  - B. Billing scheme**
  - C. Cheque tampering scheme
  - D. A shell company scheme
58. The person who is responsible for the shipment of inventory should also be responsible for write off of inventory to scrap.
- A. True
  - B. False**
59. Which of the following is a poor information security procedure that contributes to loss of proprietary company information?
- A. Failure to protect on-sight materials such as scrap paper and legal documents
  - B. Failure to implement a system for disposing of confidential information
  - C. Failure to guard documents maintained in manual file systems
  - D. All of the above**
60. Which one of the following statements is FALSE in regard to the methods typically used for making corrupt payments in bribery and corruption schemes?
- A. Bribe payers often make corrupt payment by offering recipients loans on extremely favorable terms
  - B. Payers often make corrupt payment by taking credit card on behalf of the recipient and make monthly payments for amount spent
  - C. Bribe payers often make corrupt payment by selling property to the recipient at market value**
  - D. All of the above
61. Skimming schemes can involve the theft of cash sales or the theft of accounts receivable cash or checks.
- A. True**
  - B. False
62. Gregory, a cash register teller, signed onto her register, rang a "no sale" transaction to open the drawer, and then removed a large sum of money. Which of the following BEST describe the scheme?
- A. A cash larceny/theft scheme**
  - B. A register disbursement scheme
  - C. A skimming scheme
  - D. All the above

63. Some write-offs are types of asset misappropriation schemes, that are used for concealment of various fraud schemes. Which of the following is one of those schemes?
- A. Theft of inventory
  - B. Phantom loans
  - C. Skimming of receivables
  - D. **All of the above**
64. Lack of employees training concerning nondisclosure agreements is one of the primary reasons for the communication of confidential information by employees.
- A. **True**
  - B. False
65. Jack is a manager for a retail store. He suspects his cash register employees are skimming cash. Jack will be able to detect this kind of scheme by comparing the cash register tape totals with the amount of money in their cash drawers.
- A. True
  - B. **False**
66. Andrew, a Certified Forensic Fraud Examiner, is conducting tests to look for potential payroll fraud schemes at his company. One of his routine tests is to compare the payroll records to the human resources master files. What type of fraud scheme is he likely looking for when performing this type of test?
- A. Overstated wages scheme
  - B. **Ghost employee scheme**
  - C. Fraudulent disbursement scheme
  - D. All the above
67. Roselyn, is a sales manager of Blue company Ltd. Roselyn is aware that the sales revenue for the financial year will not realize the budget amount. To conceal the shortfall, she creates fictitious invoices and send them to fictitious customers. Her conduct will affect several accounts and financial statements and also result in fraudulent financial reporting. Which of the following accounts and statement will be fraudulently affected and how?
- A. Account receivable - will be overstated
  - B. Sales account - will be overstated
  - C. Statement of profit and loss – Net profit will be overstated
  - D. **All the above**
68. Which one of the following statements is TRUE in regard to the types of workers' compensation fraud schemes?
- A. The agents issue certificates to the insured customer but does not submit the premium to the insurance company

- B. In an organized fraud scheme, a lawyer, doctor and a claimant collude to defraud the insurance company
  - C. In premium fraud, an employer understates the amount of payroll under high risk classifications to get a lower-cost premium
  - D. All of the above**
69. Which one of the following is an example of a kickback scheme in contract and procurement?
- A. A vendor inflates the amount of an invoice submitted to the company for payment
  - B. A government official demands money in exchange for making a business decision
  - C. An official receives a payment for making a business decision in favor of a contractor**
  - D. None of the above
70. Which one of the following statements is TRUE in regard to recording inventory in the books of account to avoid improper inventory valuation?
- A. Compare perpetual and physical inventory balances
  - B. Inventory should be recorded at the lower of the cost or market value
  - C. Obsolete inventory should be written off
  - D. All the above**
71. Which one of the following BEST describe the solicitation phase procurement fraud schemes involved in competitive bidding process?
- A. Bid suppression
  - B. Defective pricing
  - C. Market division
  - D. All the above**
72. Which of the following is a typical method used to make corrupt payments in bribery and corruption schemes?
- A. Subsequent employment with the contractor
  - B. Payment of credit card bills
  - C. Investment interests in a business
  - D. All of the above**
73. Which of the following is a common method used by fraudsters to physically infiltrate and spy on organizations?
- A. Get engaged as a contractor
  - B. Fabricate or steal an employee badge to enable physical access
  - C. Secure a position as an employee
  - D. All of the above**
74. Which of the following is a common method fraudsters use to conceal liabilities and expenses in order to make a company appear more profitable than it actually is?

- A. Recording expenses as capital expenditure
  - B. Omission of expenses/liabilities
  - C. Failure to disclose warranty cost and liabilities
  - D. All of the above**
75. Joseph, the managing partner of a medium-sized law firm, is the authorized signatory of all company checks. When his utility bills arrived, Joseph prepared and signed company checks to pay his bills. He did not disclose this payment to his partners. Joseph committed which of the following fraud schemes?
- A. A mischaracterized expenses scheme
  - B. Fictitious expenses scheme
  - C. Authorized maker scheme**
  - D. Fraudulent disbursement scheme
76. A health care service provider has unethical behavior of charging a comprehensive code, as more than one component code. Which one of the following BEST describes this health care provider's fraud scheme?
- A. Up- coding
  - B. Unnecessary lab test
  - C. Unbundling**
  - D. None of the above
77. Billing scheme is a type of fraudulent disbursement scheme. Which of the following is a type of a billing scheme?
- A. Personal purchase with company funds
  - B. Shell company schemes
  - C. Using non- compliance vendors
  - D. All the above**
78. Which one the following is a favorite target of corporations for intelligence gathering
- A. Financial statements
  - B. Research and development
  - C. Marketing
  - D. All the above**
79. Which of the following is a method in which contractors can inflate labour costs in negotiated contracts with procuring entities?
- A. Subcontract to associate companies at inflated rates
  - B. Quote higher rate personnel to perform work at lower rates**
  - C. Use valid cost schedules
  - D. None of the above
80. A draw request on a construction loan can be a prime area for fraudulent activities. Which of the following is a type of fraudulent draw request?



- A. Applicable change orders
  - B. Request for expenses from other contracts**
  - C. Inspection report
  - D. Lien release from subcontractors
81. The quick ratio and current ratio are similar but not identical. Which of the following BEST describes quick ratio?
- A. Quick ratio is also referred to as an acid ratio
  - B. Quick ratio is calculated by dividing the most liquid current assets with current liabilities
  - C. Quick ratio is one of the financial ratio used by auditors to determine the company's liquidity
  - D. All the above**
82. Charlie, a Certified Forensic Fraud Examiner who work as an internal auditor for a health care program, has been asked to review the program's internal controls system in the claims department. Which of the following is one of the red flags, related to claims fraud that Charlie should look out for?
- A. Anonymous telephone or email enquiries regarding the status of a pending claim
  - B. Pressure by a claimant to have the claim paid quickly
  - C. Threat of a legal action when a claim is not paid quickly
  - D. All the above**
83. Which of the following is TRUE in relation to bank reconciliations?
- A. Unbalanced bank reconciliation statement is a red flag of asset misappropriation
  - B. Unbalanced bank reconciliation statement is a high risks of asset misappropriation
  - C. A forced balanced bank reconciliation is both a red flag and a risk of asset misappropriation
  - D. All the above**
84. Recognition of revenue that has not been earned is a type of financial statement fraud scheme. Which of the following BEST describe the scheme?
- A. A fictitious revenue scheme
  - B. Improper revenue valuation
  - C. Timing differences**
  - D. Overstated revenue
85. Which of the following types of procurement fraud schemes involves a procurement employee convincing his employer to procure goods or services that are excessive or unnecessary?
- A. Need recognition schemes**
  - B. Bid manipulation schemes
  - C. Excessive purchasing scheme
  - D. Bid tailoring scheme

86. Cybercrime is a growing concern and threat globally. Therefore, every organization need to mitigate the risk of cybercrime. Which of the following is TRUE in regard to response to risk of cybercrime?
- A. Fidelity insurance that cover fraud losses caused by dishonest employees can not cover cybercrime/fraud losses
  - B. Organization should take a separate insurance cover for cybercrime committed either by employees or outsiders
  - C. Transferring the risk of cybercrime is one the measures of managing cybercrime /fraud risk
  - D. All the above**
87. Control of data is critical for any organization. One of the data control methods involve data classification. Which of the following statement is CORRECT in relation to data classification?
- A. Data classification involves categorization of data for effectiveness and efficient use
  - B. Data classification involves assigning economic value to data and establishing a structured approach for data management
  - C. Data classification involves determining appropriate controls that are commensurate to the risks assessed
  - D. All the above**
88. Computer, computer systems and internet are vulnerable to attacks, therefore organizations need to conduct proactive detection regularly. Which of the following is a type of proactive detection measure for computer, computer systems and internet?
- A. Security audits and test
  - B. Log management and analysis
  - C. Data security auditing
  - D. All the above**
89. A confidence game is a type of consumer fraud. Which of the following is the major element of confidence game scheme?
- A. Advance-fee swindle**
  - B. Fly and buy
  - C. Bait and switch
  - D. All the above
90. Which of the following is NOT a type of physical access control device that can be used to control access to physical objects?
- A. Lock and Keys
  - B. Anti-virus software**
  - C. Biometric systems
  - D. Electronic access cards

91. Which of the following is a technical or administrative control for securing computer systems and communication networks?
- A. Implementing logical access controls**
  - B. Installing a network address prevention system
  - C. Implementing privilege escalation
  - D. Using an intrusion admission system
92. Ponzi and pyramid schemes, are types of consumer fraud which are similar, but obviously different in some aspects. Which of the following BEST describes the differences?
- A. A pyramid scheme promotes itself as a pyramid, whereas a Ponzi scheme promotes itself as an investment opportunity.
  - B. Some pyramid schemes are legal, whereas all Ponzi schemes are illegal
  - C. In a ponzi scheme, member's earnings only come from recruiting new members, but in some pyramid schemes members can buy merchandise at discounted price and sell at a profit.
  - D. All the above**
93. Which of the following is the best definition of a computer worm?
- A. Any software application in which advertising banners are displayed while a program is running
  - B. A self-replicating computer program that penetrates operating systems to spread malicious code to other systems**
  - C. A program or command procedure that gives the appearance that it is useful but in fact contains hidden code that causes malicious damage
  - D. A type of software that, while not definitely malicious, has a suspicious or potentially unwanted aspect
94. Which one of the following is a scheme that contractors can inflate material costs in negotiated contracts?
- A. Failing to disclose discounts and credits
  - B. Failure to disclose bulk buying discounts
  - C. Failure to disclose residual materials inventory
  - D. All the above**
95. Social engineering is a scheme that is used by fraudster to gain unauthorized access to a computer, computer system or internet. Which of the following is CORRECT in regard to social engineering?
- A. It is a method of gaining unauthorized access to a computer system without having to use technical means**
  - B. A method for gaining unauthorized access to a computer system in which an attacker bypasses a system's security through the use of an undocumented operating system and network functions

- C. A method for gaining unauthorized access to a computer system in which an attacker searches through large quantities of available data to find sensitive information that he can use to facilitate his intended scheme
- D. A method for gaining unauthorized access to a computer system in which an attacker hides near the target to obtain sensitive information that he can use to facilitate his intended scheme

96. Which of the following statements is TRUE in regard to e-commerce?

- A. Digital signatures are an essential function to authenticate e-commerce transactions
- B. In e-commerce transactions, non-repudiation is obtained through confirmation services and timestamps
- C. E-commerce entities must make ensure that they can determine with whom they are communicating with

**D. All of the above**

97. Which of the following is a common carrier of malware?

- A. Freeware and sharewares files
- B. Email attachments
- C. Files downloaded from the internet

**D. All the above**

98. Durable Construction company has several other companies. Durable construction company also has friends working in the construction industry. The directors of Durable Construction company and the directors of his friends' companies, agreed not to genuinely compete against each other, but rather submit bids in turn each time the lowest. Which of the following BEST describe this type of bid submission scheme?

- A. Bid rigging
- B. Bid tailoring
- C. Bid rotation**
- D. Bid suppression

99. Which of the following is a method that can be used to destroy or manipulate data?

- A. Using malware to infect computers
- B. Wire tapping into a computer's communication links
- C. Transmitting data, without authorization, to an outside destination

**D. All of the above**

100. There are numerous types of viruses. Which virus loads itself onto the target system's memory, infects other files, and then unloads itself?

- A. Direct-action virus**
- B. Resident virus
- C. Boot sector virus
- D. None of the above