



FINAL EXAM

Course # 111002 Internal Control And Fraud Detection

based on the electronic .pdf file(s):

Internal Control And Fraud Detection

by: Delta CPE, 2014, 201 pages



9 CPE Credit Hours
Accounting & Auditing

A P E X C P E . C O M 800.273.9619 support@apexcpe.com

*This exam sheet is made available for your convenience in answering questions while offline.
Please note that you will still need to enter your answers on the online exam sheet for grading.*

Instructions are provided at the end of this document.

Chapter 0 - Course Material

1. Which of the following best describes the primary purpose of audit procedures?

- To detect errors or fraud
- To comply with United States generally accepted accounting principles (GAAP)
- To gather corroborative evidence
- To verify the accuracy of account balances

2. An internal audit serves to review accounting, financial, and other operations by

- A legal investigation
- An independent appraisal activity
- A regulatory agent
- The Internal Revenue Service

3. The internal auditor assures that company assets are used economically and efficiently and are

- The latest in technology
- Quality designed
- Used in compliance with IRS
- Accounted for and safeguarded from losses of all kinds.

4. The Certified Internal Auditor (CIA) exam covers the following subject area(s) except:

- Internal audit process
- Business law
- Internal audit skills
- Management control and information technology

5. An example of an audit tool can be

- An inventory
- An alarm system
- A questionnaire
- Antivirus software

6. The cost of shipping cartons should have something to do with the number of units sold. This is an example of

- Proportional analysis
- Pre-audit
- Regression
- Verification

7. The information gathered by the internal auditor from departments or operation sections is termed

the

- Post-audit
- Verification
- Pre-audit
- Evaluation

8. The internal audit report must be factual, based on hard evidence and include

- A resume of all personnel
- A summary of major findings and recommendations
- A list of products and services for future development
- A guarantee that no internal fraud exists

9. Management audits involve and effect

- Only first level management
- Only middle management
- All levels of management
- Only senior management

10. A factor to consider in assessing control environment includes

- The software components
- The hardware
- The safety systems
- The integrity and ethical values

11. _____ may be relevant to the risk of preparing financial statements that are not in conformity with United States generally accepted accounting principles

- Budgets
- Expanded foreign operations
- Forecasts
- Recording transactions

12. Internal control should be monitored in order to identify deficiencies which could adversely affect the operations of an entity and

- The policies of the company
- The public and social climate
- The external economic conditions
- The financial statement presentation

13. The internal control as a whole should provide

- A system of checks and balances
- List of all personnel
- Descriptions of the hardware and software
- An unconditional guarantee that no fraud or collusion or misappropriation exists

14. The Foreign Corrupt Practices Act contains prohibitions against

- Mismanagement
- Hostile takeovers
- Hedging of currency risk
- Ineffective internal control

15. Under Section 404 of the Sarbanes-Oxley Act, the role of internal control over financial reporting is

- To provide assurances of the quality of a firms business model
- To support the integrity and reliability of a firms external financial reporting process
- To provide assurances about the firms performance
- To provide assurances of a firms future results

16. The reporting requirements for management and the independent auditor to report on the effectiveness of internal control over financial reporting is called

- US GAAP reporting requirement
- The new model reporting requirement of the Sarbanes-Oxley Act
- Prospective financial statement reporting
- Internal Revenue's most recent ruling

17. Management's report must indicate that internal control over financial reporting is either

- Subjective or objective
- Regulated or unregulated
- General or exclusive
- Effective or ineffective

Chapter 1 - Internal Control and the Internal Audit Function

Chapter 2 - Internal Audit of Financial Statement Accounts

18. The process whereby the auditor can obtain corroborating evidential matter from an independent party outside the organization is

- Confirmation
- Inquiry
- Observation
- Inspection

19. An internal audit work program should first

- Establish the audit objectives
- Select the necessary audit hardware
- Choose the necessary audit software

Perform the cut-off tests

20. SAS 99 makes clear that error differs from fraud. Fraud refers to acts that are

Verifiable

Incorrect

Intentional

Unauthorized

21. An auditor is responsible for planning and performing a financial statement audit in order to

Obtain absolute assurance that financial statements are free of material misstatements

Obtain reasonable assurance whether the financial statements are free of material misstatements

Conduct a criminal investigation for any wrong doing

Advise management on future products and services

22. Audit teams that discuss the potential for material misstatement due to fraud are considered to be

Exercising due care

Due diligence

In collusion

Brainstorming

23. Judgments about risk of material misstatements caused by fraud may have an overall effect on the audit in

The development of company policy

The social responsibility of the company

The assignment of personnel

The morality of the work force

24. The auditor is generally precluded from communicating with non-client personnel about fraud. However, the auditor is permitted to disclose such information

When management is involved in fraud

When permitted by law

When employees are involved in misstatement

When collusion is involved with outside parties

25. Unduly aggressive or overly optimistic press releases on the level of profitability or expectations of investment analysts or key institutional investors can

Create a negative work environment

Create an increase in non-related risk factors

Create excessive pressure on management that may result in misstatement or fraud

Increase earnings and market price per share.

26. The ineffective monitoring of management can be a result of

Establishing an audit committee oversight over the financial reporting process and

internal control

- A single person or small group that dominates management
- The addition of outside independent board members
- Excessive safeguards and monitoring systems

27. Which of the following documentation is not required of the auditor by SAS 99?

- The details of the required brainstorming
- The executive summary
- The procedures performed to identify and assess the risks of material misstatement caused by fraud
- Specific risks of material misstatement caused by fraud that the auditor identified as well as a description of the auditor's response thereto

28. Error does not include

- Misinterpretation
- Mistakes
- Intentional acts
- Use of incorrect accounting estimates

29. In attempting to secure job interviews potential employees often

- Fail to list all their education and related work experience
- Give too many glowing letters of recommendation
- Lie or exaggerate on their resumes
- Lack the necessary skill to apply for the positions they are seeking

30. Senior staff members in positions of trust

- Have greater responsibility for outside risks
- Have more social commitment
- Lack motivation for fraud or misstatement
- Have more opportunity to commit fraud

31. Which of the following statements is not true regarding whistleblowers?

- Having a whistleblower policy might discourage potential whistleblowers from approaching the press as a first resort.
- Whistleblowers are being hailed as corporate heroes and saving the business from potential financial ruin,
- Employers should be encouraging whistleblowers to come forward as the quicker a business can spot fraud, the better.
- Many whistleblowers are sidelined or their careers blighted by their honest actions.

Chapter 3 - Statistical Sampling in Tests of Controls

32. A sampling method that is based on a binomial distribution is

- Discovery sampling
- Attribute sampling
- Random sampling
- Stratified sampling

33. Discovery sampling is used in a search for critical deviation such as

- Fraud and irregularities
- Customer's accounts that are either past due or not
- A numerical sequencing of all items of a population
- Estimating the total value of inventory in a chain store

Chapter 4 - Fraud Prevention, Fraud Detection, and Forensic Accounting

34. The purpose of the fraud prevention checkup is to identify major gaps in your fraud prevention system. Which of the following is a true statement?

- Low point scores in particular areas mean minor gaps in your system
- A score of 80 points out of 100 will be acceptable
- There is no passing grade other than 100 points
- Internal audits are designed to detect fraud

35. Fraud accountants apply their skills to investigate areas of an alleged criminal misconduct in order to

- Give an expert testimony
- Support or dispel damages
- Verify if financial statements have been prepared according to USA GAAP
- Ensure that the prescribed operating procedures have been followed

36. Studies show that fraud currently most often results from

- Suppliers
- Customers
- Agents
- Employees

37. Forensic accountants are not usually used for

- Business evaluations or corporate disputes
- Personal injury and fatal accident claims
- Internal audits or external audits
- Professional negligence and arbitration

38. In cases of litigation support consulting, the forensic accountant is asked to provide

- An estimate of his time and cost

- Arbitration services
- An opinion based on facts
- Asset search and analysis

39. Data mining tools have the potential to significantly enhance

- The inadequacy of an accounting system
- Sampling risk
- The detection of fraudulent activity or reduce the threat of fraud
- The reputation and working environment of a company

40. Fraud is usually detected by recognizing and pursuing

- Equity.
- Symptoms.
- Legends.
- Synonyms.

41. Which of the following is NOT a category of employee fraud symptoms?

- Tips and complaints.
- Analytical anomalies.
- Accounting anomalies.
- Firm structure and culture.

42. In some respects the advances of technology have enabled criminals to commit crimes

- Less often and less successfully
- More quickly and successfully
- With fewer clues and paper trails
- Without leaving any paper trail

43. _____ videotapes every mouse click of the investigative process to make court testimony more credible.

- Case management software
- Chain-of-custody documentation hardware
- Portable disk duplicator and/or duplication software
- Network sniffer (hardware)

44. Auditing differs from fraud examination. A main feature of auditing is that

- It is specific
- It fixes blame
- It expresses an opinion
- It is nonrecurring

45. The number one form of business frauds is:

- False financial statements.
- Credit card fraud.
- Medical insurance claims fraud.
- Check fraud.

46. Which one is probably the most effective fraud prevention method?

- Reducing rationalization
- Increasing the perception of detection
- Having an open-door policy
- Screening employees

47. Which one of the following should be examined in order to check if the equality of the debits and credits has been maintained?

- The income statement
- The statement of financial position
- The trial balance
- The statement of retained earnings

48. Lee, the authorized signer on his company's accounts, prepared and signed a check payable to the company's vendor. He gave the check to Kim, his secretary, and asked her to mail the check to the plumber. Instead, Kim took the check home, signed the vendor's name on the back and had her husband cash the check at their convenient store. Which of the following schemes did Kim commit?

- A forged endorsement scheme
- An altered payee scheme
- A forged maker scheme
- An authorized maker scheme

Instructions for Submitting Answers Online:

- *Sign In at www.ApexCPE.com*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*

- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

**If you have any questions, please call us at 800.273.9619
or send an email to support@apexcpe.com**

COPYRIGHT 2013 Apex CPE - ALL RIGHTS RESERVED

800.273.9619