Fraud Examination 5th edition Albrecht Test Bank

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Chapter 02

1. Which of the following is NOT a primary control procedure to minimize the occurrence of fraud?
   a. Dual custody
   b. Systems of authorization
   c. Internal audit department
   d. Documents and records

   ANSWER: c
   FEEDBACK:
   a. Incorrect. Dual custody, or segregation of duties, is a control activity.
   b. Incorrect. Systems of authorization are a control activity.
   c. Correct.
   d. Incorrect. Documents and records are control activities--they produce an audit trail.
   POINTS: 1
   DIFFICULTY: Moderate
   LEARNING OBJECTIVES: LO: 2-6
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Understanding

2. Which of the following is NOT a common rationalization of fraud perpetrators?
   a. The organization owes me
   b. I'm only borrowing the money
   c. No one will get hurt
   d. No one will care

   ANSWER: d
   FEEDBACK:
   a. Incorrect. This is a common rationalization for committing fraud.
   b. Incorrect. This is a common rationalization for committing fraud.
   c. Incorrect. This is a common rationalization for committing fraud.
   d. Correct. Fraud perpetrators usually rationalize their actions by thinking “I deserve more.”
   POINTS: 1
   DIFFICULTY: Easy
   LEARNING OBJECTIVES: LO: 2-7
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Remembering

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3. Each of the following is an example of an abuse of a control environment EXCEPT:
   a. The HR department failed to check an applicant's background and hired someone who had committed fraud in the past.
   b. A manager instructs employees not to share passwords, and then shares her passwords with her immediate assistant.
   c. A company has established codes of conduct and conducts training meetings to teach employees to distinguish between acceptable and unacceptable behavior. Attendance is voluntary.
   d. The employees know who has responsibility for each business activity. Procedures to follow are in place.

   ANSWER: d
   FEEDBACK:
   a. Incorrect.
   b. Incorrect.
   c. Incorrect.
   d. Correct. A clear organizational structure is an important fraud-deterring element. It is easier to track missing assets and money when all employees know exactly who is responsible for each business activity.
   POINTS: 1
   DIFFICULTY: Moderate
   LEARNING OBJECTIVES: LO: 2-6
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Understanding

4. A fraud perpetrator uses the float time between banks to give the impression that he had money in his accounts. Which crime is he committing?
   a. Floating
   b. Strip
   c. Spinning
   d. Kiting

   ANSWER: d
   FEEDBACK:
   a. Incorrect.
   b. Incorrect.
   c. Incorrect.
   d. Correct.
   POINTS: 1
   DIFFICULTY: Moderate
   LEARNING OBJECTIVES: LO: 2-5
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Remembering

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5. Which is following observations is TRUE?
   a. Research shows that only people with a criminal mind set commit fraud.
   b. Fraud perpetrators usually can be distinguished from others on the basis of psychological characteristics.
   c. Most fraud perpetrators have profiles that are similar to those of other people.
   d. When fraud does occur, the most common initial reaction by those involved in the fraud is confession.

   ANSWER: c
   FEEDBACK:
   a. Incorrect. Research shows that anyone can commit fraud.
   b. Incorrect. Fraud perpetrators usually can't be distinguished from other people on the basis of demographic or psychological characteristics.
   c. Correct.
   d. Incorrect. When fraud does occur, the most common reaction by those around the fraud is denial.
   POINTS: 1
   DIFFICULTY: Easy
   LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Remembering

6. When management fraud occurs, companies usually:
   a. overstate assets and net income.
   b. understate assets and net income.
   c. overstate assets and understate net income.
   d. understate assets and overstate net income.

   ANSWER: a
   FEEDBACK:
   a. Correct.
   b. Incorrect. Usually, when management fraud occurs, companies overstate assets on the balance sheet and net income on the income statement.
   c. Incorrect. Usually, when management fraud occurs, companies overstate assets on the balance sheet and net income on the income statement.
   d. Incorrect. Usually, when management fraud occurs, companies overstate assets on the balance sheet and net income on the income statement.
   POINTS: 1
   DIFFICULTY: Easy
   LEARNING OBJECTIVES: LO: 2-2
   NATIONAL STANDARDS: United States - BUSPROG: - Technology
   KEYWORDS: Bloom's: Remembering

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7. Which of the following is NOT one of the key elements common to all frauds?
   a. Perceived pressure
   b. Perceived inequality
   c. Perceived opportunity
   d. Rationalization

ANSWER: b

FEEDBACK:
a. Incorrect. This is a key element common to all frauds.
b. Correct.
c. Incorrect. This is a key element common to all frauds.
d. Incorrect. This is a key element common to all frauds.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

8. What is the most important element in a control environment?
   a. Management's communication
   b. Management's role and example
   c. The hiring process
   d. The internal audit department

ANSWER: b

FEEDBACK:
a. Incorrect. Although management communication is critical, it is not the most important element in the control environment. Management's role and example are the most important elements because employees will follow what management does more than what management communicates.
b. Correct.
c. Incorrect. The hiring process, although critical, cannot eliminate all fraud. Hiring only those with integrity can still lead to fraud if the example and role of management pushes employees into believing that fraud is okay. Also, the hiring process cannot screen out all dishonest employees.
d. Incorrect. Internal auditors only detect about 20% of employee fraud. The internal auditors do add a deterrent effect; however, the internal auditors are not the most critical element in the control environment.

POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Applying

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9. Which of the following statements about accounting systems is incorrect?
   a. An effective accounting system provides an audit trail that allows frauds to be discovered.
   b. An effective accounting system makes concealment difficult.
   c. An effective accounting system can effectively prevent "kickbacks."
   d. Without a good accounting system, it is often difficult to distinguish between actual fraud and unintentional error.

ANSWER: c

FEEDBACK:
a. Incorrect. This statement is true.
b. Incorrect. This statement is true.
c. Correct.
d. Incorrect. This statement is true. A good accounting system ensures that recorded transactions are valid, properly authorized, complete, properly classified, reported in the proper period, properly valued, and summarized correctly.

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Understanding

10. Greed, living beyond one's means and high bills all describe what type of fraud-related pressure?
    a. Financial
    b. Peer
    c. Environmental
    d. Work-Related

ANSWER: a

FEEDBACK:
a. Correct. These are financial pressures.
b. Incorrect.
c. Incorrect.
d. Incorrect.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

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11. An effective accounting system is designed to provide which of the following to help discover fraud?
    a. An audit trail
    b. Matching of expenses to revenues
    c. Set of controls
    d. Set of accounting procedures

ANSWER:	a
FEEDBACK:	a. Correct. b. Incorrect. Accounting systems do match expenses with revenues, but this does not help discover fraud. c. Incorrect. Controls are used to prevent fraud, not to discover fraud. d. Incorrect. Accounting procedures help set up the accounting system, not vice versa.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Remembering

12. When fraud occurs, the most common reaction to those affected by the fraud is:
    a. Anger
    b. Acceptance
    c. Denial
    d. Retribution

ANSWER:	c
FEEDBACK:	a. Incorrect. b. Incorrect. c. Correct. d. Incorrect.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-1,6 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Remembering

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13. Which of the following is NOT an element of a good control environment?
    a. Trust
    b. Modeling
    c. Appropriate hiring
    d. Management's communication

ANSWER: a

FEEDBACK:
a. Correct. Regrettably this is not a positive characteristic of the control environment.
b. Incorrect. Examples of management strongly influence employees.
c. Incorrect. Basic screening can help prevent hiring fraudsters.
d. Incorrect. Employees need to receive clear communication from management that fraud will be pro-actively looked for and punished when found.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Understanding

14. The fraud triangle includes all of the following EXCEPT:
    a. Validation
    b. Perceived opportunity
    c. Rationalization
    d. Perceived pressure

ANSWER: a

FEEDBACK:
a. Correct.
b. Incorrect. This is part of the fraud triangle.
c. Incorrect. This is part of the fraud triangle.
d. Incorrect. This is part of the fraud triangle.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

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15. Poor credit could become a ____ that could lead to fraud.
    a. Financial pressure
    b. Social pressure
    c. Family pressure
    d. Financial threat

    ANSWER: a
    FEEDBACK: a. Correct.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-5
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Understanding

16. Modeling and labeling are sub-components of which fraud-related element of an organization?
    a. Control environment
    b. Accounting system
    c. Audit procedures
    d. Review procedures

    ANSWER: a
    FEEDBACK: a. Correct.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-6
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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17. _____ requires every public company to have a code of ethics to help deter wrongdoing.
    a. The Glass Steagall legislation
    b. The Sarbanes-Oxley legislation
    c. The Securities Act
    d. Generally Accepted Auditing Standards

    ANSWER: b
    FEEDBACK:
    a. Incorrect.
    b. Correct.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

18. Which of the following is NOT a possible control activity?
    a. Having separate authorization, bookkeeping, and custody functions.
    b. Protecting access to important information with a password.
    c. Requiring two individuals to work on the same task.
    d. Supervisory review of each task completed by employees.

    ANSWER: d
    FEEDBACK:
    a. Incorrect. By separating authorization, bookkeeping, and custody functions, key duties are segregated.
    b. Incorrect. Protecting access to important information with a password is considered a system of authorization and is a possible control activity.
    c. Incorrect. Requiring two individuals to work on the same task is similar to segregation of duties in that multiple people are doing one job.
    d. Correct.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-6
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Understanding

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19. Financial statement fraud is typically committed by:
    a. Employees with access to company assets
    b. Top management
    c. Customers
    d. Vendors

ANSWER: b

FEEDBACK:
a. Incorrect. Employees usually commit fraud against the organization, not for the organization.
b. Correct. Top management is usually responsible for fraud committed on behalf of the organization.
c. Incorrect. Customers usually commit fraud against the organization.
d. Incorrect. Vendors usually commit fraud against the organization.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

20. An employee who has the responsibilities of both writing checks and making bank deposits would have ____.
    a. Financial pressure
    b. Perceived opportunity
    c. Rationalization

ANSWER: b

FEEDBACK:
a. Incorrect. A financial pressure is when a person feels a need for money that he does not have.
b. Correct.
c. Incorrect. Rationalization occurs when perpetrators justify their fraudulent acts as acceptable.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Understanding

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21. Most fraud perpetrators have profiles that look like:
    a. Those of other honest people
    b. Those with criminal records
    c. Those who are uneducated
    d. Those who use alcohol and drugs

    ANSWER: a
    FEEDBACK:
    a. Correct. Fraud perpetrators fit the profile of those who are educated and appear to have good traits that organizations look for when hiring employees.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

22. According to the Sarbanes-Oxley legislation, current changes to, or waivers of codes of ethics should be disclosed in:
    a. Form 10-K.
    b. Form 1120.
    c. Form 8-K.
    d. Form 10-Q.

    ANSWER: c
    FEEDBACK:
    a. Incorrect.
    b. Incorrect.
    c. Correct.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-2
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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23. What is the strongest factor in deterring future fraud activity?
    a. Legal prosecution.
    b. Sanctions.
    c. Termination.
    d. Counseling.

ANSWER: a

FEEDBACK:
a. Correct. When fraud perpetrators are prosecuted others in the organization understand that fraud is a serious crime.
b. Incorrect. Sanctions carry no public scrutiny; hence, perpetrators can conceal their crimes from family and commit fraud again in the future.
c. Incorrect. This can actually help perpetrators build an impressive resume; it does not deter future fraud.
d. Incorrect. This is a "distracter" answer; counseling was not listed in the text as a possible factor in deterring future fraud.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

24. Which of the following is NOT a true statement?
    a. Almost every fraud involves rationalization.
    b. All frauds involve financial or vice-related pressures.
    c. Perceived opportunity diminishes when fraud perpetrators are prosecuted.

ANSWER: b

FEEDBACK:
a. Incorrect. This statement is true.
b. Correct. Not every fraud involves financial or vice-related pressures. There may exist work-related pressures, or pressures from a spouse.
c. Incorrect. This statement is true. Perceived opportunity diminishes when fraud perpetrators are prosecuted. Prosecution also benefits the perpetrator in the long term.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

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25. A smart fraudster usually manipulates which financial record in order to better avoid an audit trail?
    a. Income statement.
    b. Balance sheet.
    c. Statement of cash flows.
    d. Statement of retained earnings.

    ANSWER: a
    FEEDBACK:
    a. Correct. Income statements report on activity only for a certain period. At the end of that period accounts are closed to zero, thus erasing the audit trail.
    b. Incorrect. Balance sheets carry over numbers from period to period, making it harder to conceal fraud.
    c. Incorrect. The statement of cash flows also carries over financial data from period to period, making it hard to conceal the fraud over the long term.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Understanding

26. Which of the following factors creates an opportunity for fraud?
    a. Greed
    b. Living beyond one's means
    c. Lack of an audit trail
    d. The organization owes it to me

    ANSWER: c
    FEEDBACK:
    a. Incorrect.
    b. Incorrect.
    c. Correct. Opportunity is the second factor of the fraud triangle. It consists of several items including the lack of an audit trail.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-6
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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27. Which of the following is NOT a common financial pressure associated with fraud?
    a. Living beyond one's means
    b. High bills or personal debt
    c. Personal financial losses
    d. Desire to hurt employer financially

ANSWER: d
FEEDBACK:
a. Incorrect. This is a common financial pressure associated with fraud.
b. Incorrect. This is a common financial pressure associated with fraud.
c. Incorrect. This is a common financial pressure associated with fraud.
d. Correct.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

28. Generally, internal controls are implemented in a corporation to help prevent which element of the fraud triangle?
    a. Perceived opportunity
    b. Perceived pressure
    c. Rationalization
    d. Authorization

ANSWER: a
FEEDBACK:
a. Correct. Internal controls are generally implemented to help prevent perceived opportunity.
b. Incorrect.
c. Incorrect.
d. Incorrect.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

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29. Which racial group is most likely to commit fraud?
    a. Caucasian
    b. African American
    c. Asian
    d. Hispanic
    e. People of every race commit fraud

    ANSWER: e
    FEEDBACK:
    a. Incorrect.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    e. Correct.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

30. According to the study mentioned in the text, which of the following is true about fraud perpetrators compared to property offenders?
    a. Fraud perpetrators are more likely to be caught than property offenders
    b. Fraud perpetrators are more educated than property offenders
    c. Fraud perpetrators are more likely to be men than property offenders
    d. Fraud perpetrators are much younger than property offenders

    ANSWER: b
    FEEDBACK:
    a. Incorrect.
    b. Correct. When compared to other property offenders, fraud perpetrators are much more educated.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-1,6 - LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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31. Which of the following creates opportunities for fraud?
    a. Requirement to change passwords on a regular basis
    b. Inability to judge quality of performance
    c. Controls that prevent or detect fraud
    d. Segregation of duties

ANSWER:	b
FEEDBACK:	a. Incorrect. This is a deterrent to fraudulent behavior. b. Correct. c. Incorrect. This is a deterrent to fraudulent behavior. d. Incorrect. This is a deterrent to fraudulent behavior.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-6
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Understanding

32. Which of the following people is most likely to have opportunities to commit fraud?
    a. Rob is a convicted bank robber who has been out of jail for 7 years and is working for a small firm whose manager knows about Rob’s criminal background.
    b. Jane is a recent high school graduate who loves shopping. She is on the look out for a job.
    c. Steve was just hired by his company but he is always acting suspicious
    d. 62 year old Dave has loyally worked up his company's corporate ladder for the past 24 years

ANSWER:	d
FEEDBACK:	a. Incorrect. As a convicted felon, Rob's opportunity to commit fraud will be limited--especially if his employer is aware that he is a convicted felon. b. Incorrect. Fraud perpetrators have usually worked for the company for several years. c. Incorrect. More controls will be in place for Steve because he is not trusted. d. Correct. Dave will be given the most opportunities.
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	LO: 2-1,6 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Understanding

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33. According to the study mentioned in the text, people who commit fraud are most similar to which of the following groups?
    a. Property offenders
    b. College students
    c. Convicted felons
    d. Animal lovers

ANSWER: b

FEEDBACK:
a. Incorrect. Fraudsters are not generally property offenders.
b. Correct. Fraudsters tend to differ only slightly from typical college students.
c. Incorrect. Fraudsters don't generally have criminal records.
d. Incorrect.

POINTS: 1
DIFFICULTY: Easy
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

34. The theory behind _____ is that if people know their work or activities will be monitored by others, the opportunity to commit and conceal a fraud will be reduced.
    a. documentation
    b. segregation of duties
    c. system of authorizations
    d. independent checks

ANSWER: d

FEEDBACK:
a. Incorrect.
b. Incorrect.
c. Incorrect.
d. Correct.

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Understanding

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35. Which of the following is usually the most expensive of all control procedures?
    a. Documents and records
    b. Segregation of duties
    c. System of authorizations
    d. Independent checks

ANSWER:	b
FEEDBACK:	a. Incorrect. b. Correct. c. Incorrect. d. Incorrect.
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	LO: 2-6
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Remembering

36. Segregation of duties, as a control procedure, is most often used
    a. when the task involved is complex.
    b. when it is impossible for one person to complete a task.
    c. when appraisals are conducted.
    d. when cash is involved.

ANSWER:	d
FEEDBACK:	a. Incorrect. b. Incorrect. c. Incorrect. d. Correct.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-6
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Understanding

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37. Documents and records are an important control activity. Which of the following statements concerning this activity is true?
    a. They serve as excellent preventive controls.
    b. Adequate accountability can exist even in their absence.
    c. The entire accounting system serves as a documentary control.
    d. They are poor detective controls.

    ANSWER: c
    FEEDBACK: a. Incorrect.
    b. Incorrect.
    c. Correct.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-6
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

38. Which of the following is an example of an authorization control procedure?
    a. Password protection
    b. Periodic job rotation
    c. Cash checks
    d. Supervisor review

    ANSWER: a
    FEEDBACK: a. Correct.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-6
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's Remembering

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39. Who do criminologists compare fraudsters to in relation to repeat offenses and why?
    a. Rapists. They repeat their crimes because they are not severely punished.
    b. Shoplifters. They steal goods frequently and in small quantities until they are confronted.
    c. Bank Robbers. They steal a lot of money from wealthy sources.
    d. Bank Tellers. They have access to a large amount of resources and they are perceived to be trustworthy people.

    ANSWER: a
    FEEDBACK: a. Correct. Fraudsters repeat offenses because they are not severely punished.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

40. Studies show that in advanced countries, levels of honesty are:
    a. Generally stable
    b. Increasing
    c. Decreasing

    ANSWER: c
    FEEDBACK: a. Incorrect.
    b. Incorrect.
    c. Correct. Levels of honesty are decreasing.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-1
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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41. Every fraud is comprised of all the following elements EXCEPT:
    a. The theft act
    b. Concealment
    c. Conversion
    d. Assault

ANSWER: d
FEEDBACK:
a. Incorrect. This is an element that comprises fraud.
b. Incorrect. This is an element that comprises fraud.
c. Incorrect. This is an element that comprises fraud.
d. Correct. This is not a usual element of fraud.
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

42. According to Max Weber, _____ is the probability that a person can carry out his or her own will despite resistance.
    a. power
    b. persuasion
    c. prejudice
    d. potency

ANSWER: a
FEEDBACK:
a. Correct.
b. Incorrect.
c. Incorrect.
d. Incorrect.
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: LO: 2-8
NATIONAL STANDARDS: United States - BUSPROG: - Technology
KEYWORDS: Bloom's: Remembering

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43. _____ is the ability of the fraud perpetrator to make an individual perceive punishment if he or she does not participate in the fraud.
    a. Expert power
    b. Coercive power
    c. Legitimate power
    d. Reward power

    ANSWER: b
    FEEDBACK:
    a. Incorrect.
    b. Correct.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

44. A fraud perpetrator is able to convince a potential victim that he will receive a large bonus if he supports him in a fraud scheme. Which type of power is the fraud perpetrator using?
    a. Expert power
    b. Coercive power
    c. Legitimate power
    d. Reward power

    ANSWER: d
    FEEDBACK:
    a. Incorrect.
    b. Incorrect.
    c. Incorrect.
    d. Correct.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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45. Individuals often participate in fraud because they believe that by not participating in the fraud scheme, they may lose their job. Which type of power is at play here?
    a. Expert power
    b. Legitimate power
    c. Coercive power
    d. Reward power

    ANSWER: c
    FEEDBACK: a. Incorrect.
    b. Incorrect.
    c. Correct.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

46. Wilma participates in a fraud scheme by executing some derivative trades because she believed that a senior analyst knew more about complex derivative transactions than she did. These transactions were fraudulent in nature. Which type of power was employed to deceive Wilma?
    a. Expert power
    b. Referent power
    c. Coercive power
    d. Reward power

    ANSWER: a
    FEEDBACK: a. Correct.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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47. _____ is the ability of the perpetrator to relate to the potential co-conspirator.
    a. Expert power
    b. Legitimate power
    c. Referent power
    d. Reward power

    ANSWER: c
    FEEDBACK: a. Incorrect.
    b. Incorrect.
    c. Correct.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

48. Many individuals, when persuaded by a trusted friend to participate in fraud, will rationalize the actions as being justifiable. Which type of power is being employed in such situations?
    a. Referent power
    b. Legitimate power
    c. Coercive power
    d. Reward power

    ANSWER: a
    FEEDBACK: a. Correct.
    b. Incorrect.
    c. Incorrect.
    d. Incorrect.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-8
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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49. Which of the following is NOT a perceived pressure that can lead to employee fraud?
    a. experiencing high medical bills because of illness in family
    b. frustration with a co-worker
    c. anticipated actual financial reports that are below published expectations
    d. a challenge to beat the system

    ANSWER: c
    FEEDBACK: a. This is an example of employee fraud.
    b. This is an example of employee fraud.
    c. This is an example of financial statement fraud.
    d. This is an example of employee fraud.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-3
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

50. Which of the following is true regarding the fraud triangle?
    a. The three elements of the fraud triangle are inter-active.
    b. Rationalization for the fraud act is thought of after the fraud has been committed.
    c. The perceived ability to conceal the fraud act concerns the rationalization side of the fraud triangle.
    d. A financial pressure to commit fraud is the strongest pressure of the three fraud triangle elements.

    ANSWER: a
    FEEDBACK: a. Correct
    b. Incorrect
    c. Incorrect as concealment is a part of perceived opportunity.
    d. Incorrect
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-3
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Understanding

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51. Some researchers have added a fourth element to the fraud triangle making it a fraud diamond. What is that element?
    a. propensity toward illegal acts
    b. lack of self-respect
    c. greed
    d. capability

    ANSWER: d
    FEEDBACK:
    a. Incorrect
    b. Incorrect
    c. Incorrect
    d. Correct
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-3
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

52. Which of the following is a true statement regarding the fraud scale depicted in the text?
    a. The greater the perceived opportunity to commit fraud, the less rationalization is takes to commit fraud.
    b. The more dishonest a person is, the higher the need to rationalize the fraud act.
    c. When the financial pressure increases, even low perceived opportunity is sufficient to commit fraud.
    d. As the 'need' to gamble increases, rationalization to commit fraud becomes easier.

    ANSWER: a
    FEEDBACK:
    a. Correct
    b. Incorrect--less rationalization would be necessary
    c. Incorrect, personal integrity and rationalization would also influence the decision to commit fraud.
    d. Incorrect, the need to rationalize may increase, but it wouldn't necessarily be easier.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-4
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Understanding

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53. Studies reveal that honesty levels in advaned countries are decreasing. What do these findings indicate for the future regarding fraud?
    a. Rationalizations will become more sophisticated.
    b. Pressures to commit fraud will increase.
    c. Less perceived opportunity will have to be present.
    d. Honesty tests in the workplace will increase.

    ANSWER: c
    FEEDBACK:
    a. Incorrect, the need to rationalize will be lower.
    b. Incorrect, the pressures to commit fraud will not necessarily increase.
    c. Correct, because of the decreasing levels of honesty, the opportunity level can be lower.
    d. Incorrect, this may or may not be the case.
    POINTS: 1
    DIFFICULTY: Easy
    LEARNING OBJECTIVES: LO: 2-4
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

54. Which of the following is an example of a vice pressure?
    a. expensive extramarital relationship(s).
    b. an extravagant life-style.
    c. needing to appear successful.
    d. being offered a bribe.

    ANSWER: a
    FEEDBACK:
    a. Correct
    b. Incorrect, this is a financial pressure.
    c. Incorrect, this is not a vice pressure.
    d. Incorrect, this is not a vice pressure.
    POINTS: 1
    DIFFICULTY: Moderate
    LEARNING OBJECTIVES: LO: 2-5
    NATIONAL STANDARDS: United States - BUSPROG: - Technology
    KEYWORDS: Bloom's: Remembering

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55. Which of the following is NOT a work-related pressure?
    a. fear of losing one's job
    b. wanting to appear successful
    c. getting overlooked for a promotion
    d. insufficient/little recognition for work performance

ANSWER:	b
FEEDBACK:	a. Correct b. Incorrect, this is a work pressure. c. Incorrect, this is a work pressure. d. Incorrect, this is a work pressure.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-5
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Remembering

56. Which of the following about rationalization is NOT true?
    a. Rationalization is a form of self-justification.
    b. Rationalization is a way to lie to one's self.
    c. People who rationalize feel they are basically honest people.
    d. Rationalizing is unnecessary when there are multiple opportunities present to commit fraud.

ANSWER:	d
FEEDBACK:	a. Incorrect, as it is a true statement. b. Incorrect, as it is a true statement. c. Incorrect, as it is a true statement. d. Correct, rationalization is still a part of the decision to commit fraud.
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-7
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Remembering

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57. Which of the following statements is false?
    a. Half-truths are often a part of rationalization.
    b. The bigger the fraud act, the more believable the rationalization.
    c. Many fraud perpetrators believe their rationalizations to be true.
    d. Perceived rationalizations are a part of the fraud triangle.

ANSWER:	b
FEEDBACK:	a. Correct statement b. False statement c. Correct statement d. Correct statement
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	LO: 2-7
NATIONAL STANDARDS:	United States - BUSPROG: - Technology
KEYWORDS:	Bloom's: Understanding

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