Fraud Examination 6th edition Albrecht Test Bank

SKU: 9781337619677-TEST-BANK

Chapter 02

Multiple Choice

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

ANSWER:	c
RATIONALE:	a. Incorrect. Dual custody, or segregation of duties, is one of the five primary control activities. b. Incorrect. A system of authorizations is one of the five primary control activities. c. Correct. An internal audit department is an important element of the control environment but not a control procedure. d. Incorrect. Documents and records make up one of the five primary control activities—they produce an audit trail.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

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
RATIONALE:	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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.7
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

3. Which of the following is NOT an example of a control weakness or violation?
   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
RATIONALE:	a. Incorrect. This is an example of a control violation. b. Incorrect. This is an example of a control violation. c. Incorrect. This is an example of a control weakness. 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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

4. A fraud perpetrator used 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
RATIONALE:	a. Incorrect. Kiting is using the float time between banks to give the impression of having money in one's bank accounts. b. Incorrect. Kiting is using the float time between banks to give the impression of having money in one's bank accounts. c. Incorrect. Kiting is using the float time between banks to give the impression of having money in one's bank accounts. d. Correct. Kiting is using the float time between banks to give the impression of having money in one's bank accounts.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

5. Which of the following observations is true?
   a. Research shows that only people with a criminal mindset commit fraud.
   b. Fraud perpetrators usually can be distinguished from others based on 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
RATIONALE:	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. Fraud perpetrators usually can't be distinguished from other people on the basis of demographic or psychological characteristics. d. Incorrect. When fraud does occur, the most common reaction by those around the fraud is denial.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

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
RATIONALE:	a. Correct. Usually, when management fraud occurs, companies overstate assets on the balance sheet and net income on the income statement. 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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

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
RATIONALE:	a. Incorrect. The three key elements common to all fraud (the fraud triangle) include (1) perceived pressure, (2) perceived opportunity, and (3) some way to rationalize the fraud as acceptable. b. Correct. The three key elements common to all fraud (the fraud triangle) include (1) perceived pressure, (2) perceived opportunity, and (3) some way to rationalize the fraud as acceptable. c. Incorrect. The three key elements common to all fraud (the fraud triangle) include (1) perceived pressure, (2) perceived opportunity, and (3) some way to rationalize the fraud as acceptable. d. Incorrect. The three key elements common to all fraud (the fraud triangle) include (1) perceived pressure, (2) perceived opportunity, and (3) some way to rationalize the fraud as acceptable.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.2 FRAU.ALBR.19.2.3
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

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
RATIONALE:	a. Incorrect. Although management communication is critical, it is not the most important element in the control environment. b. Correct. The most important element in establishing an appropriate internal control environment is management's role and example, because employees will follow what management does more than what management communicates. 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. While internal auditors do add a deterrent effect, they are not the most critical element in the control environment.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

9. 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
RATIONALE:	a. Correct. Greed, living beyond one's means, and high bills are financial pressures. b. Incorrect. Greed, living beyond one's means, and high bills are financial pressures. c. Incorrect. Greed, living beyond one's means, and high bills are financial pressures. d. Incorrect. Greed, living beyond one's means, and high bills are financial pressures.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

10. 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
RATIONALE:	a. Correct. An effective accounting system provides an audit trail that allows frauds to be discovered and makes concealment difficult. 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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

11. When fraud occurs, the most common reaction to those affected by the fraud is:
    a. anger.
    b. acceptance.
    c. denial.
    d. retribution.

ANSWER:	c
RATIONALE:	a. Incorrect. Victims cannot believe that trusted colleagues or friends have behaved dishonestly. b. Incorrect. Victims cannot believe that trusted colleagues or friends have behaved dishonestly. c. Correct. Victims cannot believe that trusted colleagues or friends have behaved dishonestly. d. Incorrect. Victims cannot believe that trusted colleagues or friends have behaved dishonestly.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

12. 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
RATIONALE:	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 proactively looked for and punished when found.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

13. Poor credit could become a ____ that could lead to fraud.
    a. financial pressure
    b. social pressure
    c. family pressure
    d. financial threat

ANSWER:	a
RATIONALE:	a. Correct. Poor credit falls under the category of a financial pressure. b. Incorrect. Poor credit falls under the category of a financial pressure. c. Incorrect. Poor credit falls under the category of a financial pressure. d. Incorrect. Poor credit falls under the category of a financial pressure.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

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

ANSWER:	a
RATIONALE:	a. Correct. Proper modeling (being an example) and proper labeling (communication) are some of the most important elements in the internal control environment. b. Incorrect. Proper modeling (being an example) and proper labeling (communication) are some of the most important elements in the internal control environment. c. Incorrect. Proper modeling (being an example) and proper labeling (communication) are some of the most important elements in the internal control environment. d. Incorrect. Proper modeling (being an example) and proper labeling (communication) are some of the most important elements in the internal control environment.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

15. _____ require(s) 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
RATIONALE:	a. Incorrect. Sarbanes-Oxley requires every public company to have a code of ethics or conduct. b. Correct. Sarbanes-Oxley requires every public company to have a code of ethics or conduct. c. Incorrect. Sarbanes-Oxley requires every public company to have a code of ethics or conduct. d. Incorrect. Sarbanes-Oxley requires every public company to have a code of ethics or conduct.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

16. 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
RATIONALE:	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. It would be unrealistic to expect that a supervisor could review each and every task completed by employees.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

17. An employee who has the responsibilities of both writing checks and making bank deposits would have ____ to commit fraud.
    a. financial pressure
    b. a perceived opportunity
    c. the rationalization
    d. validation

ANSWER:	b
RATIONALE:	a. Incorrect. A financial pressure is when a person feels a need for money that he does not have. b. Correct. The employee had full control of the banking function, providing opportunity for theft. c. Incorrect. Rationalization occurs when perpetrators justify their fraudulent acts as acceptable. d. The three key elements common to all fraud are (1) perceived pressure, (2) perceived opportunity, and (3) some way to rationalize the fraud as acceptable.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.3 FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

18. 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
RATIONALE:	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. Fraud perpetrators fit the profile of those who are educated and appear to have good traits that organizations look for when hiring employees. c. Incorrect. Fraud perpetrators fit the profile of those who are educated and appear to have good traits that organizations look for when hiring employees. d. Incorrect. Fraud perpetrators fit the profile of those who are educated and appear to have good traits that organizations look for when hiring employees.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

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

ANSWER:	c
RATIONALE:	a. Incorrect. Companies are required to disclose, either on Form 8-K or on their Web sites, any changes to, or waivers of, codes of ethics. b. Incorrect. Companies are required to disclose, either on Form 8-K or on their Web sites, any changes to, or waivers of, codes of ethics. c. Correct. Companies are required to disclose, either on Form 8-K or on their Web sites, any changes to, or waivers of, codes of ethics. d. Incorrect. Companies are required to disclose, either on Form 8-K or on their Web sites, any changes to, or waivers of, codes of ethics.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:58 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

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

ANSWER:	a
RATIONALE:	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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

21. 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.
    d. All of these statements are true.

ANSWER:	b
RATIONALE:	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. d. Incorrect. Not every fraud involves financial or vice-related pressures. There may exist work-related pressures, or pressures from a spouse.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.3
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

22. 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
RATIONALE:	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 carries over financial data from period to period, making it hard to conceal the fraud over the long term. d. Incorrect. Retained earnings statements carry over numbers from period to period, making it harder to conceal fraud.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

23. 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
RATIONALE:	a. Incorrect. Greed is an aspect of pressure. b. Incorrect. Living beyond one’s means is an aspect of pressure. 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. This is an example of rationalization.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

24. 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
RATIONALE:	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. This is a work-related pressure rather than a financial pressure.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.2 FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

25. 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
RATIONALE:	a. Correct. Internal controls are generally implemented to help prevent perceived opportunity. b. Incorrect. Internal controls are generally implemented to help prevent perceived opportunity. c. Incorrect. Internal controls are generally implemented to help prevent perceived opportunity. d. Incorrect. Internal controls are generally implemented to help prevent perceived opportunity.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

26. 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
RATIONALE:	a. Incorrect. Fraud perpetrators are less likely to be caught than property offenders. b. Correct. When compared to other property offenders, fraud perpetrators are much more educated. c. Incorrect. Fraud perpetrators are more likely to be women than property offenders. d. Incorrect. Fraud perpetrators are considerably older than property offenders.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

27. 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
RATIONALE:	a. Incorrect. This is a deterrent to fraudulent behavior. b. Correct. A situation in which there is not sufficient oversight as to be able to judge employee performance provides a setting conducive to opportunity. c. Incorrect. This is a deterrent to fraudulent behavior. d. Incorrect. This is a deterrent to fraudulent behavior.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

28. 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 lookout for a job.
    c. Steve was just hired by his company, but he is always acting suspicious.
    d. Sixty-two-year-old Dave has loyally worked up his company's corporate ladder for the past 24 years.

    ANSWER: d
    RATIONALE: 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
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.1
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

29. 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
    RATIONALE: 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. The study did not make comparisons to animal lovers.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.1
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

30. 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
    RATIONALE: a. Incorrect. Internal auditors provide independent checks and cause perpetrators to question whether or not they can commit fraud and not be caught.
    b. Incorrect. Internal auditors provide independent checks and cause perpetrators to question whether or not they can commit fraud and not be caught.
    c. Incorrect. Internal auditors provide independent checks and cause perpetrators to question whether or not they can commit fraud and not be caught.
    d. Correct. Internal auditors provide independent checks and cause perpetrators to question whether or not they can commit fraud and not be caught.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.6
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

31. 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
    RATIONALE: a. Incorrect. Because two individuals are involved, dual custody or segregation of duties is usually the most expensive of all internal control activities.
    b. Correct. Because two individuals are involved, dual custody or segregation of duties is usually the most expensive of all internal control activities.
    c. Incorrect. Because two individuals are involved, dual custody or segregation of duties is usually the most expensive of all internal control activities.
    d. Incorrect. Because two individuals are involved, dual custody or segregation of duties is usually the most expensive of all internal control activities.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.6
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

32. 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
RATIONALE:	a. Incorrect. This form of control, like most preventive controls, is most often used when cash is involved. b. Incorrect. This form of control, like most preventive controls, is most often used when cash is involved. c. Incorrect. This form of control, like most preventive controls, is most often used when cash is involved. d. Correct. This form of control, like most preventive controls, is most often used when cash is involved.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

33. 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
RATIONALE:	a. Incorrect. Documents rarely serve as preventive controls but provide excellent detective controls. b. Incorrect. Without documents, no accountability exists. c. Correct. In a sense, the entire accounting system serves as a documentary control. d. Incorrect. Documents rarely serve as preventive controls but provide excellent detective controls.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

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

ANSWER:	a
RATIONALE:	a. Correct. Passwords authorize individuals to use computers and to access certain databases and restrict access from those who are not authorized. b. Incorrect. Periodic job rotations, cash counts or certifications, and supervisor reviews are forms of independent checks. c. Incorrect. Periodic job rotations, cash counts or certifications, and supervisor reviews are forms of independent checks. d. Incorrect. Periodic job rotations, cash counts or certifications, and supervisor reviews are forms of independent checks.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

35. 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
RATIONALE:	a. Correct. Fraudsters repeat offenses because they are not severely punished. b. Incorrect. Fraudsters repeat offenses because they are not severely punished. c. Incorrect. Fraudsters repeat offenses because they are not severely punished. d. Incorrect. Fraudsters repeat offenses because they are not severely punished.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

36. Studies show that in advanced countries, levels of honesty are:
    a. generally stable.
    b. increasing slightly and erratically.
    c. increasing at a steady rate.
    d. decreasing.

ANSWER:	c
RATIONALE:	a. Incorrect. Levels of honesty are decreasing. b. Incorrect. Levels of honesty are decreasing. c. Incorrect. Levels of honesty are decreasing. d. Correct. Levels of honesty are decreasing.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.1
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

37. Every fraud is comprised of all the following elements EXCEPT:
    a. the theft act.
    b. concealment.
    c. conversion.
    d. assault.

ANSWER:	d
RATIONALE:	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
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.6
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

38. 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
    RATIONALE: a. Correct. In 1947, Max Weber introduced power as the probability that a person can carry out his or her own will despite resistance.
    b. Incorrect. In 1947, Max Weber introduced power as the probability that a person can carry out his or her own will despite resistance.
    c. Incorrect. In 1947, Max Weber introduced power as the probability that a person can carry out his or her own will despite resistance.
    d. Incorrect. In 1947, Max Weber introduced power as the probability that a person can carry out his or her own will despite resistance.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

39. _____ 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
    RATIONALE: a. Incorrect. Threatening punishment is a form of coercive power.
    b. Correct. Threatening punishment is a form of coercive power.
    c. Incorrect. Threatening punishment is a form of coercive power.
    d. Incorrect. Threatening punishment is a form of coercive power.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

40. 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
    RATIONALE: a. Incorrect. The perpetrator's perceived ability to provide benefits creates reward power.
    b. Incorrect. The perpetrator's perceived ability to provide benefits creates reward power.
    c. Incorrect. The perpetrator's perceived ability to provide benefits creates reward power.
    d. Correct. The perpetrator's perceived ability to provide benefits creates reward power.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

41. 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
    RATIONALE: a. Incorrect. The perpetrator's perceived ability to punish creates coercive power.
    b. Incorrect. The perpetrator's perceived ability to punish creates coercive power.
    c. Correct. The perpetrator's perceived ability to punish creates coercive power.
    d. Incorrect. The perpetrator's perceived ability to punish creates coercive power.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

42. 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
    RATIONALE: a. Correct. Perceived expert power is the ability of the fraud perpetrator to influence another person because of expertise or knowledge.
    b. Incorrect. Perceived expert power is the ability of the fraud perpetrator to influence another person because of expertise or knowledge.
    c. Incorrect. Perceived expert power is the ability of the fraud perpetrator to influence another person because of expertise or knowledge.
    d. Incorrect. Perceived expert power is the ability of the fraud perpetrator to influence another person because of expertise or knowledge.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

43. _____ 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
    RATIONALE: a. Incorrect. The perpetrator's ability to relate to others creates referent power.
    b. Incorrect. The perpetrator's ability to relate to others creates referent power.
    c. Correct. The perpetrator's ability to relate to others creates referent power.
    d. Incorrect. The perpetrator's ability to relate to others creates referent power.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.8
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

44. 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
RATIONALE:	a. Correct. Perpetrators will often use perceived referent power to gain trust and participation from potential co-conspirators. b. Incorrect. Perpetrators will often use perceived referent power to gain trust and participation from potential co-conspirators. c. Incorrect. Perpetrators will often use perceived referent power to gain trust and participation from potential co-conspirators. d. Incorrect. Perpetrators will often use perceived referent power to gain trust and participation from potential co-conspirators.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.8
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

45. Which of the following is NOT a perceived pressure that can lead to employee fraud?
    a. Experiencing high medical bills because of illness in the family
    b. Frustration with work
    c. Anticipated actual financial reports that are below published expectations
    d. A challenge to beat the system

ANSWER:	c
RATIONALE:	a. Incorrect. This could lead to employee fraud. b. Incorrect. This could lead to of employee fraud. c. Correct. This could lead to management (financial statement) fraud. d. Incorrect. This could lead to employee fraud.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.2 FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

46. Which of the following is true regarding the fraud triangle?
    a. The three elements of the fraud triangle are interactive.
    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. Work-related pressure to commit fraud is the strongest of the pressure triangle element.

    ANSWER: a
    RATIONALE: a. Correct. As with the elements in the fire triangle, the three elements in the fraud triangle are interactive.
    b. Incorrect. Rationalization contributes to the act itself.
    c. Incorrect. Concealment is a part of perceived opportunity.
    d. Incorrect. Most pressures relate to financial needs.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.3
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

47. 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
    RATIONALE: a. Incorrect. In recent years, some researchers have added "capability" as a fourth element, suggesting that an individual's personal traits and abilities play a major role in the perpetration of fraud.
    b. Incorrect. In recent years, some researchers have added "capability" as a fourth element, suggesting that an individual's personal traits and abilities play a major role in the perpetration of fraud.
    c. Incorrect. In recent years, some researchers have added "capability" as a fourth element, suggesting that an individual's personal traits and abilities play a major role in the perpetration of fraud.
    d. Correct. In recent years, some researchers have added "capability" as a fourth element, suggesting that an individual's personal traits and abilities play a major role in the perpetration of fraud.
    POINTS: 1
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.3
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

48. 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 it 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
    RATIONALE: a. Correct. With fraud, the greater the perceived opportunity or the more intense the pressure, the less rationalization it takes to motivate someone to commit fraud.
    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
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.4
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

49. Studies of honesty levels in advanced countries have led to which of the following expectations regarding fraud?
    a. Rationalizations will become more sophisticated.
    b. Pressures to commit fraud will increase.
    c. Less perceived opportunity will have to be present for fraud to occur.
    d. Honesty tests in the workplace will increase.

    ANSWER: c
    RATIONALE: 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
    QUESTION TYPE: Multiple Choice
    HAS VARIABLES: False
    LEARNING OBJECTIVES: FRAU.ALBR.19.2.4
    DATE CREATED: 3/15/2018 9:59 PM
    DATE MODIFIED: 3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

50. Which of the following is an example of a vice pressure?
    a. An expensive extramarital relationship
    b. An extravagant lifestyle
    c. Needing to appear successful
    d. Being offered a bribe

ANSWER:	a
RATIONALE:	a. Correct. Closely related to financial pressures are motivations created by vices, such as gambling, drugs, alcohol, and expensive extramarital relationships. b. Incorrect. This is considered a financial pressure. c. Incorrect. This is not a vice pressure. d. Incorrect. This is not a vice pressure.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

51. 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
RATIONALE:	a. Incorrect. This is a work-related pressure. b. Correct. This type of pressure falls under “other.” c. Incorrect. This is a work-related pressure. d. Incorrect. This is a work-related pressure.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.5
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank

52. 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
RATIONALE:	a. Incorrect. This is a true statement. b. Incorrect. This is a true statement. c. Incorrect. This is a true statement. d. Correct. Rationalization is still a part of the decision to commit fraud.
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.19.2.7
DATE CREATED:	3/15/2018 9:59 PM
DATE MODIFIED:	3/20/2018 8:09 AM

Copyright Cengage Learning. Powered by Cognero.

Fraud Examination 6th edition Albrecht Test Bank