Test Bank For

Fraud Examination 7th Edition Copyright 2025 by W. Steve Albrecht, Chad O. Albrecht, Conan C. Albrecht, Mark F. Zimbelman

Chapter 1-18

Chapter 01 - The Nature of Fraud

1. One way that criminal law differs from civil law is that it:
   a. provides remedies for violations of private rights.
   b. must yield a unanimous verdict.
   c. can have a jury of fewer than 12 persons.
   d. allows for various claims in one action.

ANSWER:	b
FEEDBACK:	a. Incorrect. The requirement to provide remedies for violations of private rights is a characteristic of civil law; criminal law deals with crimes against society as a whole. b. Correct. Criminal trials must result in a unanimous verdict. c. Incorrect. The requirement for a unanimous vote characteristic of civil law; criminal trial juries must have 12 persons. d. Incorrect. In inclusion of various claims in one action is a characteristic of civil law; criminal law permits only one claim at a time.
POINTS:	1
DIFFICULTY:	easy
REFERENCES:	Criminal and Civil Prosecution of Fraud
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.25.1.5 - Understand the differences between criminal and civil fraud laws.
OTHER:	Source: 6e revised
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2. Which of the following is NOT an common element of a Ponzi scheme?
   a. Gaining other's confidence
   b. Promising abnormally high returns
   c. Investing collected money
   d. Using part of the investment principle to pay previous investors

ANSWER:	c
FEEDBACK:	a. Incorrect. Gaining other’s confidence is one of the most important elements of the “con.” b. Incorrect. Promising abnormally high returns is how fraudsters lure in investors.

c. Correct. Investing collected money is very unlikely.
d. Incorrect. In Ponzi schemes, the original principle is often used to make interest payments.

POINTS:	1
DIFFICULTY:	Moderate
REFERENCES:	Types of Fraud
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.25.1.3 - Understand Different Types of Fraud.
OTHER:	Source: 6e , revised
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3. The following are all elements of Title 26, U.S. Code Section 7201 EXCEPT:
   a. not reporting bribe income may be grounds for being charged with tax evasion.
   b. a tax filing that excludes income from fraud may be considered a false return.
   c. bribes may be lawfully deducted as business expenses.
   d. failure to report income from fraud may be grounds for being charged with tax evasion.

ANSWER: c

FEEDBACK:
a. Incorrect. Not reporting bribe income may be grounds for being charged with tax evasion.
b. Incorrect. Filing income tax that excludes income from fraud may be considered an improper tax filing.
c. Correct. Bribes cannot be deducted as legitimate business expenses.
d. Incorrect. Failure to report income from fraud or bribes may be prosecuted as tax evasion.

POINTS:	1
DIFFICULTY:	easy
REFERENCES:	Criminal Law
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	FRAU.ALBR.25.1.5 - Understand the differences between criminal and civil fraud laws.
OTHER:	Source: 6e revised
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4. Which one of the following is NOT a characteristic of a criminal proceeding?
   a. Criminal proceedings deal with offenses against society.
   b. Consequences of criminal proceedings include restitution and damage payments.
   c. Criminal proceedings involve a jury of 12 individuals.
   d. In criminal proceedings, only one claim may be heard at a time.

ANSWER: B

FEEDBACK:

a. Incorrect. A crime is considered an offense against society.

b. Correct. In a criminal proceeding, the consequences are jail and/or fines.

c. Incorrect. A criminal jury consists of 12 jurors.

d. Incorrect. Only one claim is heard at a time, whereas in a civil case many claims may be joined into a single case.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: Criminal Law

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.25.1.5 - Understand the differences between criminal and civil fraud laws.

OTHER: Source: 6e revised

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5. Management fraud is often referred to as:

a. stockholder fraud.

b. financial statement fraud.

c. employee fraud.

d. investment fraud.

ANSWER: b

FEEDBACK:

a. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

b. Correct. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

c. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

d. Incorrect. In its most common form, management fraud involves top management's deceptive manipulation of financial statements.

POINTS: 1

DIFFICULTY: easy

REFERENCES: Management Fraud

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: FRAU.ALBR.25.1.3 - Understand Different Types of Fraud.

OTHER: Source: 6e revised

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6. What is required to prove fraud, as opposed to error?

a. Negligence
b. Intent
c. Preponderance of the evidence
d. Confession from the perpetrator

ANSWER: b

FEEDBACK:
a. Incorrect. Negligence does not constitute fraud because it lacks intent to gain advantage over the victim through false pretenses.
b. Correct. To succeed in a criminal or civil prosecution, it is usually necessary to show that the perpetrator acted with intent to defraud the victim.
c. Incorrect. Preponderance of the evidence is what is proven in any civil case and is not specific to fraud.
d. Incorrect. Confession is not required to prove fraud. In fact, many perpetrators never admit their guilt.

POINTS: 1
DIFFICULTY: moderate
REFERENCES: Criminal and Civil Prosecution of Fraud
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: FRAU.ALBR.25.1.5 - Understand the differences between criminal and civil fraud laws.
OTHER: Source: 6e revised
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7. Which of the following is the most common type of occupational fraud?
a. Management fraud
b. Mail fraud
c. Investment fraud
d. Employee embezzlement

ANSWER: d

FEEDBACK:
a. Incorrect. Employee embezzlement is the most common type of occupational fraud.
b. Incorrect. Employee embezzlement is the most common type of occupational fraud.
c. Incorrect. Employee embezzlement is the most common type of occupational fraud.
d. Correct. Employee embezzlement is the most common type of occupational fraud.

POINTS: 1
DIFFICULTY: Easy
REFERENCES: Employee Embezzlement
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: FRAU.ALBR.25.1.3 - Understand Different Types of Fraud.
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