

# ch1

Student: \_\_\_\_\_

1. Forensic Accounting is defined as:
  - A. The practice of applying defined financial ratios to investigate a companies financial health.
  - B. The use of law enforcement to subpoena financial records to determine unlawful actions.
  - C. The application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law.
  - D. The investigatory arm of the Securities and Exchange Commission.
2. If your actions are the result of misleading, intentional actions or inaction (including misleading statements and the omission of relevant information) to gain an advantage, then you have committed:
  - A. Perjury.
  - B. Contempt.
  - C. Treason.
  - D. Fraud.
3. Which of the following does a forensic accountant investigate?
  - A. Purchases of Businesses.
  - B. Valuation of divorce assets.
  - C. Calculation of lost profits.
  - D. All of the above.
4. Which of the following two are types of auditors?
  - A. External.
  - B. Internal.
  - C. Forensic.
  - D. Both a and b.
5. Forensic accounting can be broken into how many categories?
  - A. Two: Investigative and Litigation.
  - B. Two: Internal and External.
  - C. Three: Investigative, External, Preventative.
  - D. Three: Internal, Litigation, Certified.
6. What is one of the primary differences between a Financial Statement auditor and a Forensic Accountant?
  - A. Financial statement auditors are likely to follow leads suggested by immaterial items whereas Forensic Accountants often must restrict their efforts to searching for material misstatements.
  - B. Forensic Accountants are likely to follow leads suggested by immaterial items whereas .financial statement auditors often must restrict their efforts to searching for material misstatements.
  - C. Forensic Accountants must focus on specific legal areas that produce fraud charges under the courts of law whereas financial statement auditors focus their attention on the Generally Accepted Accounting Principles.
  - D. Forensic Accountants are likely to ask individuals to fix discrepancies found in financial statements whereas financial statement auditors will fail a corporations financial statement certification, therefore having repercussions with the SEC.

7. Which of the following is not a skill needed by a Forensic Accountant?
- A. Auditing Skills.
  - B. Criminology.
  - C. Sociology.
  - D. Information Technology.
8. Which of the following events have made the Forensic Accountant industry more popular in the last decade?
- A. Corporate Scandals.
  - B. Sarbanes-Oxley Act of 2002.
  - C. The U.S. Supreme Court.
  - D. Both a and b.
9. Which is one of the areas that the Sarbanes-Oxley Act of 2002 has made CEO's rely on forensic accountants heavily?
- A. CEO's must now sign their financial statements and are held personally liable for and fraud committed.
  - B. CFO's must become qualified as forensic accountants.
  - C. To become a CEO in a public company, their personal financial records must be certified by a forensic accountant.
  - D. Both a and b.
10. According to the 2002 Report to the Nation on Occupational Fraud and Abuse, what percentage of corporate revenues were lost in that year to fraud?
- A. 2%.
  - B. 4%.
  - C. 6%.
  - D. 8%.
11. Which of the following types of organizations typically use Forensic Accountants?
- A. Publicly held corporations.
  - B. Private/non-profit corporations.
  - C. Federal/State Agencies.
  - D. All of the above.
12. What is the most recognized fraud credential?
- A. Certified Fraud Examiner (CFE).
  - B. Certified Public Accountant (CPA).
  - C. American Counsel of Accredited Business Accountants (ACABA).
  - D. Enrolled Agent (EA).
13. What types of organizations offer credentials to forensic accountants?
- A. Association of Certified Fraud Examiners.
  - B. American College of Forensic Examiners.
  - C. Institute of Business Appraisers.
  - D. All of the above.

14. Who was the founder of the Association of Certified fraud Examiners?
- A. The 187th Congress of the United States.
  - B. President Bill Clinton.
  - C. Joseph Wells.
  - D. All of the above worked together to form the ACFE.
15. If a person wants to earn the credential Certified Forensic Accountant (Cr.FA), what must they possess?
- A. A PhD in Accounting, 2 years of auditing experience and pass an exam.
  - B. A bachelor's degree in business or ten years of accounting-related experience and pass the two parts of the examination.
  - C. Hold a CPA license, be an Enrolled Agent with the IRS and pass the two parts of the examination.
  - D. Be recommended by the Cr.FA board and pass an oral examination in front of that board.
16. What is the mission of the Association of Certified Fraud Specialists (ACFS)?
- A. To encourage CPAs to report potential areas that a Forensic Accountant should be used within.
  - B. To pre-screen potential Forensic Accountants who would make good FBI agents.
  - C. To encourage its members to offer pro-bono service to the communities in which its members reside.
  - D. All of the above are part of the ACFS's mission.
17. What is a way to become a CFS?
- A. Complete a multi-part examination that covers the detection, deterrence, investigation, and prosecution of white-collar crime.
  - B. Complete the ACFS Academy core courses and take an examination at the end of each course.
  - C. Be grandfathered in by means of submitting information on the experience and education of the candidate.
  - D. All of the above are ways to become a CFS.
18. If you are a CPA and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?
- A. Certified Valuation Analyst.
  - B. Accredited Valuation Analyst.
  - C. Certified Forensic Financial Analyst.
  - D. National Valuation Analyst.
19. If you are experienced in the valuation field and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?
- A. Certified Valuation Analyst.
  - B. Accredited Valuation Analyst.
  - C. Certified Forensic Financial Analyst.
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20. If you are a litigation consultants and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?
- A. Certified Valuation Analyst.
  - B. Accredited Valuation Analyst.
  - C. Certified Forensic Financial Analyst.
  - D. National Valuation Analyst.

21. The National Litigation Support Services Association (NLSSA) allows only one CPA firm into its membership:
- A. In each Metropolitan Statistical Area.
  - B. In each Megalopolis.
  - C. Per million residents in the city it resides.
  - D. Each four year presidential cycle.
22. The Institute of Business Appraisers (IBA) supports the valuating of which type of businesses?
- A. Public Corporations.
  - B. Private Corporations.
  - C. Closely-held Businesses.
  - D. Non-Profit Organizations.
23. The Institute of Business Appraisers offers which certification?
- A. CPA.
  - B. CBA.
  - C. AICPA.
  - D. EA.
24. In which way does the AICPA support Forensic Accountants?
- A. Through its Forensic Accountants division.
  - B. Through its Business Valuation and Forensic & Litigation Services section.
  - C. Through its credentialing of Forensic Accountants.
  - D. The AICPA does not support Forensic Accountants.
25. What credential does the AICPA offer?
- A. Accredited in Business Valuation.
  - B. Accredited Business Accountant.
  - C. Forensic Accountant Accreditation.
  - D. Accounting for Forensic and Litigation.
26. How does forensic accounting differs from other types of accounting?
- A. It is a separate field that has no relation to accounting.
  - B. Forensic Accountants require at least an masters in accounting.
  - C. Forensic Accountants are more likely to be found dissecting these statements and obtaining evidence from other sources.
  - D. General Accountants must hold to subjective evidence whereas forensic accountants must use objective evidence.
27. What is Defalcation?
- A. The ruling of a judge to restore the assets wrongfully taken to their rightful owner.
  - B. The act of conspiring to commit perjury.
  - C. The process of finding stolen assets through financial statement analysis.
  - D. The appropriation of assets for the benefit of those who do not rightfully deserve them.
28. What are litigation services?
- A. It is another term for a law firm.
  - B. It is a specialized branch of forensic accounting.
  - C. It is the service provided to the courts to determine an equitable judgment.
  - D. It is an out of court settlement service for corporations.

29. You are attempting to get two parties to compromise on a situation. This means that you are engaged in:
- A. Litigation.
  - B. Mediation.
  - C. Plea Bargaining.
  - D. Grand Jury testimony.
30. Misrepresentation is the act of presenting oneself in a manner that does not agree with reality. What does "presenting" mean?
- A. Actions, statements, or omissions.
  - B. Words, court judgments or opinions.
  - C. Appearance, style or function.
  - D. Both a and b.
31. Forensic Accounting is a part of Fraud investigation.
- True False
32. Forensic Accounting does not greatly differ from traditional accounting.
- True False
33. Some forensic accountants perform investigations much like financial private investigators.
- True False
34. Internal Auditors are individuals from outside CPA firms that come into your business to perform an audit.
- True False
35. Investigative services that may or may not lead to courtroom testimony.
- True False
36. Errors are always an indication of intentional fraud.
- True False
37. Due to the Sarbanes-Oxley Act of 2002, CEO's no longer have to sign their financial statements.
- True False
38. Governmental agencies never use forensic accountants.
- True False
39. To date, there are only two forensic accounting organizations in the world.
- True False
40. It is possible to hold credentials as a forensic accountant.
- True False

41. Describe how a forensic accountant would employ his or her skills?
42. Compare and contrast the usage of internal versus external auditors.
43. How is defalcation different from misrepresentation?
44. What are some of the special skills that a forensic accountant might use in their trade?
45. What are some of the areas a forensic accountant should be knowledgeable in?

46. In what sectors of our economy can forensic accountants find work?
47. Even if a case does not go to court, a forensic accountant might be called upon to assist during what two types of situations (define both)?
48. Name some of the organizations that support forensic accounting:
49. What does credentialing mean?
50. What was one of the biggest changes in the SOX of 2002 that increased the usage of forensic accountants?





## ch1 Key

1. Forensic Accounting is defined as:
- A. The practice of applying defined financial ratios to investigate a companies financial health.
  - B. The use of law enforcement to subpoena financial records to determine unlawful actions.
  - C.** The application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law.
  - D. The investigatory arm of the Securities and Exchange Commission.

*Difficulty: Easy  
Hopwood - Chapter 01 #1*

2. If your actions are the result of misleading, intentional actions or inaction (including misleading statements and the omission of relevant information) to gain an advantage, then you have committed:
- A. Perjury.
  - B. Contempt.
  - C. Treason.
  - D.** Fraud.

*Difficulty: Moderate  
Hopwood - Chapter 01 #2*

3. Which of the following does a forensic accountant investigate?
- A. Purchases of Businesses.
  - B. Valuation of divorce assets.
  - C. Calculation of lost profits.
  - D.** All of the above.

*Difficulty: Easy  
Hopwood - Chapter 01 #3*

4. Which of the following two are types of auditors?
- A. External.
  - B. Internal.
  - C. Forensic.
  - D.** Both a and b.

*Difficulty: Easy  
Hopwood - Chapter 01 #4*

5. Forensic accounting can be broken into how many categories?
- A.** Two: Investigative and Litigation.
  - B. Two: Internal and External.
  - C. Three: Investigative, External, Preventative.
  - D. Three: Internal, Litigation, Certified.

*Difficulty: Moderate  
Hopwood - Chapter 01 #5*

6. What is one of the primary differences between a Financial Statement auditor and a Forensic Accountant?
- A. Financial statement auditors are likely to follow leads suggested by immaterial items whereas Forensic Accountants often must restrict their efforts to searching for material misstatements.
  - B.** Forensic Accountants are likely to follow leads suggested by immaterial items whereas financial statement auditors often must restrict their efforts to searching for material misstatements.
  - C. Forensic Accountants must focus on specific legal areas that produce fraud charges under the courts of law whereas financial statement auditors focus their attention on the Generally Accepted Accounting Principles.
  - D. Forensic Accountants are likely to ask individuals to fix discrepancies found in financial statements whereas financial statement auditors will fail a corporation's financial statement certification, therefore having repercussions with the SEC.

*Difficulty: Hard  
Hopwood - Chapter 01 #6*

7. Which of the following is not a skill needed by a Forensic Accountant?
- A. Auditing Skills.
  - B. Criminology.
  - C.** Sociology.
  - D. Information Technology.

*Difficulty: Moderate  
Hopwood - Chapter 01 #7*

8. Which of the following events have made the Forensic Accountant industry more popular in the last decade?
- A. Corporate Scandals.
  - B. Sarbanes-Oxley Act of 2002.
  - C. The U.S. Supreme Court.
  - D.** Both a and b.

*Difficulty: Easy  
Hopwood - Chapter 01 #8*

9. Which is one of the areas that the Sarbanes-Oxley Act of 2002 has made CEO's rely on forensic accountants heavily?
- A.** CEO's must now sign their financial statements and are held personally liable for fraud committed.
  - B. CFO's must become qualified as forensic accountants.
  - C. To become a CEO in a public company, their personal financial records must be certified by a forensic accountant.
  - D. Both a and b.

*Difficulty: Moderate  
Hopwood - Chapter 01 #9*

10. According to the 2002 Report to the Nation on Occupational Fraud and Abuse, what percentage of corporate revenues were lost in that year to fraud?
- A. 2%.
  - B. 4%.
  - C.** 6%.
  - D. 8%.

*Difficulty: Moderate  
Hopwood - Chapter 01 #10*

11. Which of the following types of organizations typically use Forensic Accountants?

- A. Publicly held corporations.
- B. Private/non-profit corporations.
- C. Federal/State Agencies.
- D.** All of the above.

*Difficulty: Easy*  
*Hopwood - Chapter 01 #11*

12. What is the most recognized fraud credential?

- A.** Certified Fraud Examiner (CFE).
- B. Certified Public Accountant (CPA).
- C. American Counsel of Accredited Business Accountants (ACABA).
- D. Enrolled Agent (EA).

*Difficulty: Moderate*  
*Hopwood - Chapter 01 #12*

13. What types of organizations offer credentials to forensic accountants?

- A. Association of Certified Fraud Examiners.
- B. American College of Forensic Examiners.
- C. Institute of Business Appraisers.
- D.** All of the above.

*Difficulty: Easy*  
*Hopwood - Chapter 01 #13*

14. Who was the founder of the Association of Certified fraud Examiners?

- A. The 187th Congress of the United States.
- B. President Bill Clinton.
- C.** Joseph Wells.
- D. All of the above worked together to form the ACFE.

*Difficulty: Moderate*  
*Hopwood - Chapter 01 #14*

15. If a person wants to earn the credential Certified Forensic Accountant (Cr.FA), what must they possess?

- A. A PhD in Accounting, 2 years of auditing experience and pass an exam.
- B.** A bachelor's degree in business or ten years of accounting-related experience and pass the two parts of the examination.
- C. Hold a CPA license, be an Enrolled Agent with the IRS and pass the two parts of the examination.
- D. Be recommended by the Cr.FA board and pass an oral examination in front of that board.

*Difficulty: Hard*  
*Hopwood - Chapter 01 #15*

16. What is the mission of the Association of Certified Fraud Specialists (ACFS)?

- A. To encourage CPAs to report potential areas that a Forensic Accountant should be used within.
- B. To pre-screen potential Forensic Accountants who would make good FBI agents.
- C.** To encourage its members to offer pro-bono service to the communities in which its members reside.
- D. All of the above are part of the ACFS's mission.

*Difficulty: Moderate*  
*Hopwood - Chapter 01 #16*

17. What is a way to become a CFS?
- A. Complete a multi-part examination that covers the detection, deterrence, investigation, and prosecution of white-collar crime.
  - B. Complete the ACFS Academy core courses and take an examination at the end of each course.
  - C. Be grandfathered in by means of submitting information on the experience and education of the candidate.
  - D. All of the above are ways to become a CFS.**

*Difficulty: Moderate  
Hopwood - Chapter 01 #17*

18. If you are a CPA and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?

- A. Certified Valuation Analyst.**
- B. Accredited Valuation Analyst.
- C. Certified Forensic Financial Analyst.
- D. National Valuation Analyst.

*Difficulty: Moderate  
Hopwood - Chapter 01 #18*

19. If you are experienced in the valuation field and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?

- A. Certified Valuation Analyst.
- B. Accredited Valuation Analyst.**
- C. Certified Forensic Financial Analyst.
- D. National Valuation Analyst.

*Difficulty: Moderate  
Hopwood - Chapter 01 #19*

20. If you are a litigation consultants and want to be come credentialed by the National Association of Certified Valuation Analysts (NACVA), which credential would you be issued?

- A. Certified Valuation Analyst.
- B. Accredited Valuation Analyst.
- C. Certified Forensic Financial Analyst.**
- D. National Valuation Analyst.

*Difficulty: Moderate  
Hopwood - Chapter 01 #20*

21. The National Litigation Support Services Association (NLSSA) allows only one CPA firm into its membership:

- A. In each Metropolitan Statistical Area.**
- B. In each Megalopolis.
- C. Per million residents in the city it resides.
- D. Each four year presidential cycle.

*Difficulty: Moderate  
Hopwood - Chapter 01 #21*

22. The Institute of Business Appraisers (IBA) supports the valuating of which type of businesses?

- A. Public Corporations.
- B. Private Corporations.
- C. Closely-held Businesses.**
- D. Non-Profit Organizations.

*Difficulty: Moderate  
Hopwood - Chapter 01 #22*

23. The Institute of Business Appraisers offers which certification?

- A. CPA.
- B. CBA.**
- C. AICPA.
- D. EA.

*Difficulty: Easy  
Hopwood - Chapter 01 #23*

24. In which way does the AICPA support Forensic Accountants?

- A. Through its Forensic Accountants division.
- B. Through its Business Valuation and Forensic & Litigation Services section.**
- C. Through its credentialing of Forensic Accountants.
- D. The AICPA does not support Forensic Accountants.

*Difficulty: Moderate  
Hopwood - Chapter 01 #24*

25. What credential does the AICPA offer?

- A. Accredited in Business Valuation.**
- B. Accredited Business Accountant.
- C. Forensic Accountant Accreditation.
- D. Accounting for Forensic and Litigation.

*Difficulty: Moderate  
Hopwood - Chapter 01 #25*

26. How does forensic accounting differs from other types of accounting?

- A. It is a separate field that has no relation to accounting.
- B. Forensic Accountants require at least an masters in accounting.
- C. Forensic Accountants are more likely to be found dissecting these statements and obtaining evidence from other sources.**
- D. General Accountants must hold to subjective evidence whereas forensic accountants must use objective evidence.

*Difficulty: Moderate  
Hopwood - Chapter 01 #26*

27. What is Defalcation?

- A. The ruling of a judge to restore the assets wrongfully taken to their rightful owner.
- B. The act of conspiring to commit perjury.
- C. The process of finding stolen assets through financial statement analysis.
- D. The appropriation of assets for the benefit of those who do not rightfully deserve them.**

*Difficulty: Moderate  
Hopwood - Chapter 01 #27*

28. What are litigation services?

- A. It is another term for a law firm.
- B. It is a specialized branch of forensic accounting.
- C. It is the service provided to the courts to determine an equitable judgment.**
- D. It is an out of court settlement service for corporations.

*Difficulty: Moderate  
Hopwood - Chapter 01 #28*

29. You are attempting to get two parties to compromise on a situation. This means that you are engaged in:
- A. Litigation.
  - B. Mediation.**
  - C. Plea Bargaining.
  - D. Grand Jury testimony.

*Difficulty: Easy  
Hopwood - Chapter 01 #29*

30. Misrepresentation is the act of presenting oneself in a manner that does not agree with reality. What does "presenting" mean?
- A. Actions, statements, or omissions.**
  - B. Words, court judgments or opinions.
  - C. Appearance, style or function.
  - D. Both a and b.

*Difficulty: Moderate  
Hopwood - Chapter 01 #30*

31. Forensic Accounting is a part of Fraud investigation.

**FALSE**

*Difficulty: Moderate  
Hopwood - Chapter 01 #31*

32. Forensic Accounting does not greatly differ from traditional accounting.

**FALSE**

*Difficulty: Easy  
Hopwood - Chapter 01 #32*

33. Some forensic accountants perform investigations much like financial private investigators.

**TRUE**

*Difficulty: Moderate  
Hopwood - Chapter 01 #33*

34. Internal Auditors are individuals from outside CPA firms that come into your business to perform an audit.

**FALSE**

*Difficulty: Easy  
Hopwood - Chapter 01 #34*

35. Investigative services that may or may not lead to courtroom testimony.

**TRUE**

*Difficulty: Moderate  
Hopwood - Chapter 01 #35*

36. Errors are always an indication of intentional fraud.

**FALSE**

*Difficulty: Moderate  
Hopwood - Chapter 01 #36*

37. Due to the Sarbanes-Oxley Act of 2002, CEO's no longer have to sign their financial statements.

**FALSE**

*Difficulty: Easy  
Hopwood - Chapter 01 #37*

38. Governmental agencies never use forensic accountants.

**FALSE**

*Difficulty: Easy  
Hopwood - Chapter 01 #38*

39. To date, there are only two forensic accounting organizations in the world.

**FALSE**

*Difficulty: Moderate  
Hopwood - Chapter 01 #39*

40. It is possible to hold credentials as a forensic accountant.

**TRUE**

*Difficulty: Easy  
Hopwood - Chapter 01 #40*

41. Describe how a forensic accountant would employ his or her skills?

Forensic accounting is the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law. Notice that forensic accounting is not limited to the use of financial investigations that result in legal prosecution; the investigation and analysis must, however, meet the standards required in the court of law that has jurisdiction.

*Difficulty: Moderate  
Hopwood - Chapter 01 #41*

42. Compare and contrast the usage of internal versus external auditors.

Internal auditing is the process by which a company's operations are verified by employees of the company known as internal auditors. Internal auditors may also be involved in collecting and evaluating information to assist in determining whether operations should be changed. Conversely, External auditors are not employees of the company; they are auditors (licensed by the state in which they practice who have passed the Certified Public Accountant examination or, if a Chartered Accountants, have passed the Chartered Accountant examination and are licensed by the country in which they practice) hired to determine whether the financial statements of the company fairly present, in all material respects, financial position, results of operations, and cash flows in accordance with specified criteria (usually generally accepted accounting principles).

*Difficulty: Moderate  
Hopwood - Chapter 01 #42*

43. How is defalcation different from misrepresentation?

The appropriation of assets for the benefit of those who do not rightfully deserve them, whereas the act of presenting oneself in a manner that does not agree with reality.

*Difficulty: Hard  
Hopwood - Chapter 01 #43*

44. What are some of the special skills that a forensic accountant might use in their trade?

Forensic accountants apply special skills in accounting, auditing, finance, quantitative methods, certain areas of the law, research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings.

*Difficulty: Moderate  
Hopwood - Chapter 01 #44*

45. What are some of the areas a forensic accountant should be knowledgeable in?

Auditing, Investigative, Criminology, Accounting, Legal, Information technology (IT) and Communication.

*Difficulty: Moderate  
Hopwood - Chapter 01 #45*

46. In what sectors of our economy can forensic accountants find work?

Forensic accountants can be employed in all types of businesses including: Public/private corporations, closely held businesses, non-profits and Federal, State, County and Local governments.

*Difficulty: Easy  
Hopwood - Chapter 01 #46*

47. Even if a case does not go to court, a forensic accountant might be called upon to assist during what two types of situations (define both)?

Mediation and arbitration. Mediation is assisting parties with differing perspectives to arrive at a compromise. Arbitration is a hearing and deciding a case that involves parties that have taken different positions.

*Difficulty: Hard  
Hopwood - Chapter 01 #47*



48. Name some of the organizations that support forensic accounting:

The Association of Certified Fraud Examiners, the American College of Forensic Examiners, the Association of Certified Fraud Specialists, the National Association of Certified Valuation Analysts, the National Litigation Support Services Association, the Institute of Business Appraisers, and the American Institute of Certified Public Accountants.

*Difficulty: Easy  
Hopwood - Chapter 01 #48*

49. What does credentialing mean?

Some of the organizations that support forensic accounting will evaluate the forensic accountants knowledge and experience based upon education, time in the field and written examinations. These organizations will then issue a credential based upon these criteria. This is similar to the CPA credential.

*Difficulty: Moderate  
Hopwood - Chapter 01 #49*

50. What was one of the biggest changes in the SOX of 2002 that increased the usage of forensic accountants?

CEO's now had to personally sign the financial statements and could personally be held liable for any fraud within those statements.

*Difficulty: Easy  
Hopwood - Chapter 01 #50*

# ch1 Summary

<i>Category</i>	<i># of Questions</i>
Difficulty: Easy	16
Difficulty: Hard	4
Difficulty: Moderate	30
Hopwood - Chapter 01	50