

POSSIBLE TEST 3 QUESTIONS

CHAPTER 8:

1. Accountants acting as consultants (who will not testify) are not protected from disclosure under the attorney work product doctrine.

- a. True
- b. False

2. Information reviewed by a testifying expert will not be subject to disclosure, including drafts of reports sent from and to the accounting expert.

- a. True
- b. False

3. Accountants appointed by a court as a special master are protected from disclosure under the attorney work product doctrine.

- a. True
- b. False

7. An accountant may testify as a lay witness or an expert witness.

- a. True
- b. False

12. Under Daubert, judges themselves are required to assess the reliability of an expert's theories.

- a. True
- b. False

14. A judge should consider whether the theory or technique existed before litigation began in order to decide whether to allow an expert to testify.

- a. True
- b. False

16. A CPA will automatically qualify an accountant as an expert.

- a. True
- b. False

20. An accounting expert can agree to a fee contingent on the success of his testimony.

- a. True
- b. False

23. An expert witness may rely on inadmissible facts or data if they are reasonably relied upon by experts in the particular field.

- a. True
- b. False

24. An accounting expert cannot give an opinion on the application of the controlling legal principles dealing with the facts.

- a. True
- b. False

25. If serving as a consultant to an attorney, a CPA may be an advocate for a client.

- a. True
- b. False

9. A court-appointed expert is not subject to cross-examination by both sides.

- a. True
- b. False

31. A chart would be considered demonstrative evidence.

- a. True
- b. False

45. The CSI effect occurs when a jury finds reasonable doubt in a case because they assume that all cases can be solved using highly technical science because of what they've seen on TV shows such as CSI.

- a. True
- b. False

57. A taxpayer has the right to a jury trial at the U.S. Tax Court.

- a. True
- b. False

70. An expert would probably not be able to:

- a. Give an opinion that embraces an ultimate issue to be decided by the trier of facts.
- b. State that my opinion is based on a reasonable degree of scientific certainty.
- c. An expert testifies regarding his opinion without first testifying to the underlying facts or data.
- d. An expert bases his opinion on evidence not admissible in evidence if of a type reasonably relied upon by experts in the particular field.
- e. An expert can do all of the above.

71. Which is not one of the Daubert factors?

- a. Whether the theory existed before litigation began.
- b. Whether the theory or technique in question can be and has been tested.
- c. The theory's known or potential error rate.
- d. The theory has attracted widespread acceptance.
- e. All are Daubert factors.

75. Which statement is false?

- a. If serving as a consultant to an attorney, a CPA may be an advocate.
- b. An expert witness must be impartial and cannot be an advocate for a client.
- c. An accounting expert may testify on a contingent fee basis.
- d. A civil trial may be a bench trial or a jury trial.
- e. None of the above.

90. What is meant by impeachment?

- a. Suggesting that you changed your answer at trial.
- b. A Daubert challenge.
- c. A Frye challenge.
- d. Spoliation.
- e. All of the above.

CHAPTER 9:

3. Forensic accountants convert financial clues, using the latest technology, into evidence admissible in the courtroom.

- a. True
- b. False

11. An opponent can bring a motion in limine to exclude evidence.

- a. True
- b. False

12. Direct evidence is always more compelling than circumstantial evidence.

- a. True
- b. False

13. Circumstantial evidence does not prove an issue directly.

- a. True
- b. False

7. Pleas of nolo contendere are inadmissible in the courtroom.

- a. True
- b. False

18. In some jurisdictions, one spouse can prevent the other from testifying even when willing to do so.

- a. True
- b. False

34. A manual system of locating documents is time-consuming.

- a. True
- b. False

39. Data warehousing is a process for assembling and managing data from various sources for the purpose of gaining a single, detailed view of part or all of a business.
- a. True
 - b. False
40. Data mining may be used by forensic accountants to discover fraud, abuse, and corruption.
- a. True
 - b. False
44. E-mails are not subject to subpoena.
- a. True
 - b. False
47. Computers and related equipment may be seized as evidence in criminal matters.
- a. True
 - b. False
48. Electronic evidence for civil action is sought through discovery requests (e.g., interrogatories and depositions).
- a. True
 - b. False
51. Expert opinions are evidence.
- a. True
 - b. False
52. An expert can base his or her opinion on business records reviewed even though these records are not placed into evidence.
- a. True
 - b. False
60. A lawyer can lead a witness on cross-examination.
- a. True
 - b. False
61. Which would not be a type of evidence?
- a. Testimony of a lay witness.
 - b. Testimony of an expert witness.
 - c. A particular document.
 - d. A computer.
 - e. All of above are types of evidence.

62. Which statement is false?

- a. Circumstantial evidence does not prove an issue directly.
- b. Direct evidence is always more compelling than circumstantial.
- c. A party who has the burden of proof also has the burden of producing evidence.
- d. The burden of proof in a civil trial is the preponderance of the evidence.
- e. None of the above is false.

64. Which statement is false?

- a. Evidence does not have to prove an issue directly.
- b. Evidence of habit may be admissible.
- c. Evidence of liability insurance is admissible in federal court.
- d. Once it has been determined that a privilege applies, this information may be used in discovery.
- e. None of the above is false.

65. Taxpayer communications made to federally authorized tax practitioners are privileged, including:

- a. Matters involving criminal matters.
- b. Tax advice regarding the promotion of tax shelters.
- c. The amount of charitable contributions.
- d. Investigations by regulatory agencies.
- e. None of the above.

66. Which would not be considered privileged evidence?

- a. Physician/patient.
- b. Attorney/client.
- c. Attorney/litigation consultant.
- d. Attorney/expert witness.
- e. All of the above are privileged.

67. Which answer makes the following statement false? If an expert reads a statement or document, opposing counsel may:

- a. Examine it in advance.
- b. Cross-examine in regard to it.
- c. Have it admitted into evidence.
- d. Subject it to redaction for prejudicial material.
- e. All of the above are true.

68. Which statement is true?

- a. Generally, non-expert witnesses are not permitted to give opinions.
- b. An expert has to testify from personal knowledge.
- c. Evidence of liability insurance may not be admissible in federal court.
- d. Custom and practice may not be used to authenticate business records.
- e. None of the above is true.

69. Which statement is false?

- a. Criminal cases require a higher standard of proof.
- b. A person may qualify as an expert without formal training.
- c. An expert must testify from personal knowledge.
- d. Generally, non-expert witnesses are not permitted to give opinions.
- e. All of the above are true.

70. Which item would not be demonstrative evidence?

- a. Loss profit calculation exhibit.
- b. Testimony of the accounting expert.
- c. Video of a robbery.
- d. Diagram drawn on a chalk board.
- e. All of these are demonstrative-type evidence.

General Feedback:
Testimony evidence.

71. In a criminal case, the burden of proof is normally:

- a. Beyond a reasonable doubt.
- b. More likely than not.
- c. Preponderance of the evidence.
- d. Presumption of guilt.
- e. None of the above.

2. Which statement is false?

- a. Usually the technical rules of evidence do not apply in administrative proceedings.
- b. The burden of proof in a criminal trial is normally beyond a reasonable doubt.
- c. The Fourth Amendment rights apply in a criminal trial.
- d. In a criminal trial, the prosecutor's discovery is not limited.
- e. None of the above.

73. Which statement is false?

- a. Photocopies are not admissible in the courtroom.
- b. Computer print-outs are admissible in the courtroom.
- c. Because demonstrative evidence has no probative value, there is no need to authenticate it in a technical sense.
- d. In criminal disputes, the Fourth Amendment protection applies.
- e. All of the above are true.

75. Which statement is true?

- a. A forensic auditor may safely use the software on a seized system being examined to boot a system.
- b. Electronic evidence for criminal action is sought through discovery requests (e.g., interrogatories and depositions).
- c. A technique called drill-down functionality allows financial managers to make reports interactive and multidimensional.
- d. There is an approximately 41.3% chance that the first digit in a number will be 1.
- e. None of the above is true.

77. Which is an inductive approach?
- Digital analysis.
 - Discovery sampling.
 - Generic data mining.
 - Custom data mining.
 - All of the above are inductive.
78. Which is an inductive approach?
- Digital Analysis Tests and Statistics.
 - Generic software.
 - Discovery sampling.
 - Generic data mining.
 - All of the above are deductive.
82. What is not direct evidence?
- A lay witness testifies.
 - An expert witness testifies.
 - The gun used in the murder.
 - Hearsay testimony by a lay witness.
 - None of the above.
83. What would not be considered a document?
- Calendar.
 - Address book.
 - A private letter.
 - A photograph.
 - None of the above.
85. Which statement is false?
- An expert is not needed for common knowledge.
 - FRE 803(18) allows relevant material from written sources to get around the hearsay rule.
 - On cross-examination a lawyer cannot lead a witness.
 - A credit card purchase can provide the proof that clinches a case for a party.
 - None of the above.
88. A _____ is a written argument supported by citations of court decisions, statutes, and other authorities.
- Covenant.
 - Habeas corpus.
 - Brief.
 - Concurring opinion.
 - Dissenting opinion.
89. A written statement of a witness under oath, often in a question/answer format is a _____.
- Limine.
 - Deposition.
 - Remand.
 - Dicta.
 - Stare decisis.

CHAPTER 11:

2. The United States Justice Department is the only entity that can bring antitrust cases against a business.

- a. True
- b. False

4. Forensic accountants are often retained in antitrust cases to determine if predatory pricing is present in a case.

- a. True
- b. False

4. Often local or industry economic conditions are key factors in estimating damages in antitrust cases.

- a. True
- b. False

16. Qui tam suits allowing individuals to file suit on behalf of the federal government were actually created during the Civil War and signed into law by President Abraham Lincoln.

- a. True
- b. False

19. If fraud is found in a Federal Fraudulent Claims Act case, the amount of damages found may be tripled.

- a. True
- b. False

47. During a 12-week period, Bargain Discount Store had its highest weekly store operating costs of \$400,000 and its lowest weekly store operating costs of \$380,000. Sales volumes for these two weeks were \$2,500,000 and \$2,000,000 respectively. The estimated variable cost per sales dollar using the high-low method is:

- a. \$0.04 per sales dollar.
- b. \$0.10 per sales dollar.
- c. \$0.05 per sales dollar.
- d. \$0.16 per sales dollar.
- e. None of the above is correct.

49. During a 12-week period, Bargain Discount Store had its highest weekly store operating costs of \$400,000 and its lowest weekly store operating costs of \$380,000. Sales volumes for these two weeks were \$2,500,000 and \$2,000,000 respectively. The estimated fixed cost using the high-low method is:

- a. \$500,000.
- b. \$300,000.
- c. \$150,000.
- d. \$180,000.
- e. None of the above is correct.

50. Assume a regression analysis yields a regression line with the values $Y = \$120,000 + \$.085X$, where Y equals plant labor costs and X equals dollars of production output. If the company plans to produce \$2,400,000 of product during the upcoming month, it would project plant labor costs to be:

- a. \$324,000.
- b. \$120,000.
- c. \$204,000.
- d. \$2,400,000.
- e. None of the above is correct.

52. As a general rule it can be stated that:

- a. Association and causation are two terms that mean the same thing as regression-correlation analysis.
- b. Correlation shows association but does not prove causation.
- c. Regression analysis shows causation and correlation analysis proves causation.
- d. All of the above are correct.

53. Plaintiff GG Company convinced the court that JJ Company had engaged in antitrust actions that had caused GG serious financial damages. As part of GG's expert's damage testimony, it was shown that, during the 18-month time period covered by the case, GG Company's sales had fallen from an average of \$400,000 per month to \$300,000 per month. In addition, GG Company's profits had gone from an average of \$40,000 per month to an average of a loss of \$20,000 per month. Given this information, what is GG Company's damages in the case?

- a. \$360,000.
- b. \$1,800,000.
- c. \$720,000.
- d. \$1,080,000.
- e. None of the above is correct.

54. Plaintiff GG Company convinced the court that JJ Company had engaged in antitrust actions that had caused GG serious financial damages. As part of GG's expert's damage testimony, it was shown that, during the 18-month time period covered by the case, GG Company's sales had fallen from an average of \$400,000 per month to \$300,000 per month. In addition, GG Company's profits had gone from an average loss of \$10,000 per month to an average of a loss of \$40,000 per month. Given this information, what is GG Company's damages in the case?

- a. \$0.
- b. \$1,800,000.
- c. \$540,000.
- d. \$720,000.
- e. None of the above is correct.

57. Qui tam suits are brought by:

- a. The government against violators of the Federal False Claims Act.

- b. A corporation against another corporation under the Federal False Claims Act.
- c. A private citizen on behalf of the federal government.
- d. Employers against former employees.

68. In an antitrust case:

- a. Only the U.S. government can bring a suit.
- b. The suit commonly identifies many different alleged violators of the antitrust laws.
- c. The plaintiff can never be a competing business.
- d. Usually a specific geographic area is part of the suit.
- e. None of the above.

69. Whistle-blowers:

- a. Have no role in an FFCA case once it starts.
- b. Usually get rich from their role in the case.
- c. May file a qui tam suit in connection with an FFCA case.
- d. Usually get their job back as a result of the FFCA case.
- e. None of the above.

CHAPTER 13:

2. Deleting a file creates slack space.

- a. True
- b. False

4. Time stamps cannot be altered.

- a. True
- b. False

6. A hash can be used to prevent claims of evidence contamination.

- a. True
- b. False

7. Disconnecting a suspect's PC results in the loss of data found in the RAM.

- a. True
- b. False

8. A serious weakness in ABC Company's IT network control environment system is also a weakness in the company's financial reporting systems.

- a. True
- b. False

9. Computer forensic specialists analyze electronic data for all the following purposes except:

- a. Reconstruction of files.
- b. Recovery of files.

- c. Authentication of files.
 - d. Copying of files.
26. Electronic evidence can be destroyed by:
- a. Making bitstream copies.
 - b. Making images.
 - c. Opening a file.
 - d. Using Encase.
29. To be assured that two files are identical, compare:
- a. Time stamp information.
 - b. Hashes.
 - c. Bitstream bytes.
 - d. Read only files.
31. The “chain of custody” is a term that means:
- a. Electronic evidence has been imaged.
 - b. Electronic evidence has been locked safely away.
 - c. Electronic evidence has been preserved.
 - d. A record of who has handled electronic evidence is maintained.
33. A zombie computer is one that can result in:
- a. A denial of service attack.
 - b. A botnet attack.
 - c. Nothing—as there is no such thing as a zombie computer.
 - d. Both a and b.
35. Shutting off a PC can result in:
- a. Loss of volatile data.
 - b. Breaking the chain of custody.
 - c. Dismissal of a legal case.
 - d. Violations of 4th Amendment privileges of the defendant.
36. Magnetic force microscopy is used:
- a. To look into a hard drive.
 - b. To reconstruct data on a disk.
 - c. As a medical treatment for people who have overused a PC.
 - d. There is no such thing.
41. When data mining is used by an auditor, the first step should be to:
- a. Use cluster analysis.
 - b. Image the files under investigation.

- c. Hire a computer forensic analyst.
 - d. Clean the files.
43. Manager's attitudes toward risk-taking in a corporate culture:
- a. Do not belong in any part of the auditors' evaluative functions.
 - b. Are part of the risk assessment procedures under the COSO IT framework.
 - c. Are part of the internal control environment assessment under the COSO IT framework.
 - d. Are usually assessed under SAS No. 99.
45. Actually "deleting" data from a hard drive means:
- a. Clicking on the file containing the data and then clicking on the delete key.
 - b. Using a commercial software program to delete all the data.
 - c. Melting the plastic disk in the hard drive.
 - d. Physically damaging the plastic disk in the hard drive.
47. A chain of custody:
- a. Records who and when an individual handles evidence.
 - b. Is only used by the forensic investigator.
 - c. Reduces claims of evidence contamination.
 - d. Both a and c.
 - e. All of the above.
50. When a suspect's PC is disconnected, all the following data is lost, except:
- a. RAM data.
 - b. Streaming data.
 - c. Hard drive data.
 - d. Volatile data.
51. A zombie computer is:
- a. A computer that has been taken over by a cyber criminal without the owner's knowledge.
 - b. A computer taken over by a cyber criminal who is working with the owner's approval.
 - c. There is no such thing as a zombie computer.
 - d. This is what a computer is called that is geographically located in the Caribbean.
53. One difference between data mining and computer forensic investigations is that data mining:
- a. Does not image the data.
 - b. Assumes the files in a database have not been altered to hide information.
 - c. Does not have files.
 - d. Both a and c.

CHAPTER 14:

1. Social security numbers can be purchased on the Internet.
 - a. True
 - b. False

14. For forensic accountants, it is important to understand the Internet's protocols so that they:
 - a. Can write code to collect courtroom evidence.
 - b. Can hire a professional to handle the problem.
 - c. Understand electronic courtroom procedures.
 - d. Understand the nature of a cyber attack.
 - e. All of the above.

15. If your client's website is breached, the best policy is to:
 - a. Make sure no one finds out about the attack.
 - b. Document the evidence about the attack.
 - c. Call in law enforcement authorities as soon as possible.
 - d. Call in a tiger team.
 - e. None of the above.

3. The IP address is composed of a(n):
 - a. 8-bit address.
 - b. 1-bit address.
 - c. 32-bit address.
 - d. 64-bit address.
 - e. None of the above.

30. To trace an IP address back to its source address, which of the following tools would be best to use?
 - a. Remail.
 - b. Traceroute.
 - c. Ping.
 - d. ARIN.
 - e. None of the above.

31. To determine if a port on a web server is alive and connected to the Internet, which of the following tools would be best to use?
 - a. Whois.
 - b. Traceroute.
 - c. Ping.
 - d. ARIN.
 - e. None of the above.

33. The purpose of remailers is to:
 - a. Send back e-mail to a sender so that the sender knows it did not go to the recipient.
 - b. Let the sender know e-mail was received by the recipient.
 - c. Send spam.
 - d. Send anonymous e-mail.
 - e. None of the above.

37. One way to hide my e-mail address is to:
- a. Use a different PC than normally used to send my e-mail message.
 - b. Use a proxy server for sending e-mail.
 - c. Use a remailer.
 - d. Both b and c.
38. Which of the following sites can be searched by a search engine?
- a. FTP sites.
 - b. Listserv sites.
 - c. IRC sites.
 - d. All of the above.
44. What is the purpose of the domain name system?
- a. To assign IP addresses.
 - b. To ensure each host has a unique name.
 - c. To be certain that browsers work correctly with IP addresses.
 - d. To ensure that traceroute works.

CHAPTER 18:

2. The perpetrator's intent to defraud must be demonstrated.
- a. True
 - b. False
3. It is usually best to work out a forensic accounting engagement as the investigation proceeds, and a written agreement is not required until the process is farther along.
- a. True
 - b. False
4. A forensic accountant is in the best position to decide the best evidence to use in court.
- a. True
 - b. False
5. The first step in a fraud examination is assembling the documentation of the company's business and business processes/operations.
- a. True
 - b. False
6. The business culture of a country, like that of a company, is highly relevant to a forensic investigation.
- a. True
 - b. False
7. The pressure to achieve sales growth is a highly relevant factor in determining motive or intent in fraud cases.
- a. True
 - b. False

8. Business and accounting practices are similar at most companies in most countries in the civilized world.

- a. True
- b. False

9. Examples of internal control weaknesses include irregularities in source documents, faulty journal entries, and inaccuracies in ledgers.

- a. True
- b. False

10. Cash payments are an example of an internal control weakness.

- a. True
- b. False

11. Accounting and sales transactions supervised by the same manager are not internal control weaknesses.

- a. True
- b. False

12. Higher than expected sales growth is an anomaly that could constitute a "red flag."

- a. True
- b. False

13. Being approached midway through an audit to take on an additional engagement for suspected fraud at the same company is unethical.

- a. True
- b. False

14. An organizational chart of a company and understanding the relationships between personnel are critically important to the forensic accountant.

- a. True
- b. False

25. Red flags can be made up of any number of things, including:

- a. Better than expected growth.
- b. Above-average performance by one business unit.
- c. High concentration of repeat customers.
- d. Increase in accounts receivable aging.
- e. All of the above.