Review & DFA Exam related MCQ Full Question Bank analysis

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DFA Exam related MCQ

- 1. "Fraud Diamond" excludes which of the following.
- a. Opportunity
- b. Capability to commit fraud
- c. Rationalisation of action
- d. Intention to bribe investigators
- ◆ Ans = d

- 2. _____ is fraud that involves theft of an entity's assets.
- a. Fraudulent financial reporting
- b. teeming & lading
- c. Misappropriation of assets
- d. Income smoothing
- ◆ Ans = c

- 3. Sources of information gathered to assess fraud risks usually do not include:
- a. analytical procedures.
- b. inquiries of management.
- c. communication among audit team members.
- d. review of corporate charter and bylaws
- ◆ Ans = d

- 4. Which of the following non-verbal cues is a sign of stress?
- a. Leaning away from the auditor, usually toward the door or window
- b. Avoiding eye contact
- c. Crossing one's arms or legs
- d. Each of the above is a sign of stress
- ◆ Ans = b

- 5. Fraudulent financial reporting may be accomplished through the manipulation of:
- a. assets.
- b. revenues.
- c. liabilities.
- d. all of the above
- ◆ Ans = d

- 6. Which party has the <u>primary responsibility</u> to oversee an organization's financial reporting and internal control processes?
- a. The board of directors
- b. The audit committee
- c. Management of the company
- d. The internal auditor
- ◆ Ans = b

- 7. Which of the following best defines fraud in a financial statement auditing context?
- a. Fraud is an unintentional misstatement of the financial statements.
- b. Fraud is an intentional misstatement of the financial statements.
- c. Fraud is either an intentional or unintentional misstatement of the financial statements, depending on materiality.
- d. Fraud is either an intentional or unintentional misstatement of the financial statements, depending on consistency
- Ans = b

- 8. Misappropriation of assets is normally perpetrated by:
- a. members of the board of directors.
- b. employees at lower levels of the organization.
- c. management of the company.
- d. the internal auditor
- ◆ Ans = b

- 9. Which of the following is the principal factor that relates to incentives or pressures to commit fraudulent financial reporting?
- a. Significant accounting estimates involving subjective judgments.
- b. Excessive pressure for management to meet debt repayment requirements.
- c. Management's practice of making overly aggressive forecasts.
- d. High turnover of accounting, internal audit, and IT staff
- ♦ Ans = b
- ◆ 10. Which of the following is <u>least likely</u> to uncover fraud?
- a. External auditors
- b. Internal auditors
- c. Internal controls
- d. Management
- \rightarrow Ans = a

- 11. Which of the following is a factor that relates to incentives to misappropriate assets?
- a. Significant accounting estimates involving subjective judgments.
- b. Significant personal financial obligations.
- c. Management's practice of making overly aggressive forecasts.
- d. High turnover of accounting, internal audit and information technology staff
- Ans = b
- ◆ 12. When Forensic auditor suspects that fraud may be present, he should:
- a. terminate the engagement with sufficient notice given to the client.
- b. issue an adverse opinion or a disclaimer of opinion.
- c. obtain additional evidence to determine whether material fraud has occurred.
- d. re-issue the engagement letter and negotiate for higher fees
- ♦ Ans = c

- 13. For inquiry to be effective, auditors need to be skilled at listening and an interviewee's response to questions.
- a. evaluating
- b. video-recording
- c. challenging and questioning
- d. remembering and noting
- ♦ Ans = a
- 14. The <u>most common</u> technique used by management to misstate financial information is:
- a. overstatement of expenses.
- b. improper revenue recognition.
- c. understatement of liabilities.
- d. understatement of assets
- \rightarrow Ans = b

- 15 Forensic Audit is?
- (A) An Art
- (B) A Science _
- (C) A Profession
- (D) All of these
- 16, Which of the following statements is true?
- (A) Creative Accounting and Book- keeping are synonymous
- (B) Book-cooking and Accounting are complementary to each other
- (C) Accounting starts from where Book-keeping ends
- (D) Both (B) and (C)
- 17. ISO 37001 standard in a Company or bank deals with
- (A) Management quality
- (B) NPA analysis
- (C) HR & Quality standard
- (D) Anti Bribery / Corruption systems



- (A) accounting law
- (B) economics concept
- (C) Fraud detection tool
- (D) cost audit technique
- 19. What is the risk management model in global banking
- A. NPA Model
- B. CAMELS
- C. Operations- Credit-Market (OCM)
- D. none of the above
- 20. Which law addresses frauds of money laundering —
- (A) SEBI Laws
- (B) IT Act
- (C) CVC Guidelines
- (D) PMLA



- (A) Access
- (B) Excel
- (C) IDEA
- (D) None of these
- 22. The forensic audit of a Company or Bank is done-
- (A) Compulsorily per quarter
- (B) by CBI / RBI / SFIO after complaint is lodged
- (C) at the direction of State Government
- (D) none of the above
- 23. Who investigates ML cases
- A. SEBI
- B. SFIO
- C. ED
- D. CERT-In



- 24. String matching in forensic audit is done by
- (A) Benford's Law
- (B) Fuzzy matching
- (C) RSF
- (D) None of these
- 25. Banks carry out _____ as fraud preventive mechanism
- (A) Borrower KYC
- (B) Borrower Due diligence
- (C) Credit risk management
- (D) all of the above
- 26. Tiger Team tests indicate
- A. Forensic audit
- B. Internal audit
- C. Financial statement fraud
- D. Ethical hacking

- 27. CBS covers which of the following
- a) Deposits, Advances
- b) Bills & Remittances
- c) General Ledger
- d) All of the above
- 28. CBS software resides

a.always resides in a central application server located in DC

b.in the branch

c in the RBI

d.in a database server

- 29. Which of the following statements is true?
- (A) Forensic audit is compulsory under Companies Act 2013
- (B) Enforcement Directorate deals in IT fraud investigation
- (C) Shell companies are used for routine business purpose & commercial operations
- (D) Steganography can hide a secret message inside another file

- 30. Which of the following is not a function of IT& BCP department in CBS
 - a. Proper delegation of tasks
 - b. Functions incompatibility
 - c.Segregation of duties
 - d.Internal audit
- 31. VaR model in a bank deals with
- (A) revenue accounting / interest income
- (B) NPA analysis
- (C) Risk Management
- (D) payroll accounting

- 32. Fraud, in a bank relates to (maximum impact)-
- (A) Inventories
- (B) Fixed assets
- (C) Credit / Advances
- (D) LC & BG
- 33. Which review consists the first step in forensic audit of CBS branches to check / detect frauds
 - a) System log review
 - b) Review of Antifraud & IT Security policy
 - c) Database control
 - d) Network weakness assessment Report
- 34. CORE of CBS means
- a) Computerized Offline Review Environment
- b) Computerized Online Re-Engineering
- c) Centralized Online Real-time Electronic
- d) Controlled Online Review Ecosystem

- 35. In Finacle CBS which code is used to check Account details

 a.ACCII
 b.ACI
 c.Account Enquiry Code
 d.ANC
- 36. In Finacle CBS, which code is used to see Loans & Advances Overdue to check PNPA

a.LO

b.LAO

c.LAOPI

d.LP

- •37 In Finacle CBS, which report is used to check NPA position
 - a.NPARPT
 - b.NA Report
 - c.Loss Asset Report
 - d.Sub Standard Asset Report

38. Which organisation addresses worldwide integration to combat Money laundering & Terror financing

- A. ACFE
- B. World Bank
- C. FATF
- D. Interpol
- 39 Which Bank/ FI was associated with sub-prime crisis —
- (A) Lemon Brothers
 - (B) Global Trust bank
 - (C) Lehman Brothers
 - (D) Citibank

40. Exception reports

- Cannot be generated in CBS
- Has to be obtained from RBI
- Can be generated from CBS as Standard Report
- Is obtained from head office of bank

- 41. A forensic audit aims at
- (A) Examination of correctness of books of accounts
- (B) Examination of truthfulness of books of accounts & internal controls
- (C) Examination of routing of funds
- (D) All of the above
- 42. For suspicious reporting of transactions, which area should be reviewed in CBS
- a) STR list of transactions
- b) Credit reports
- c) ACI
- d) Deposit reports
- 43. Whenever a new advance is given to an existing party, in CBS the client identification number already available should
 - a) be used and a new one should not be created.
 - b) Not be used
 - c) Be cancelled
 - d) Be reported to LHO

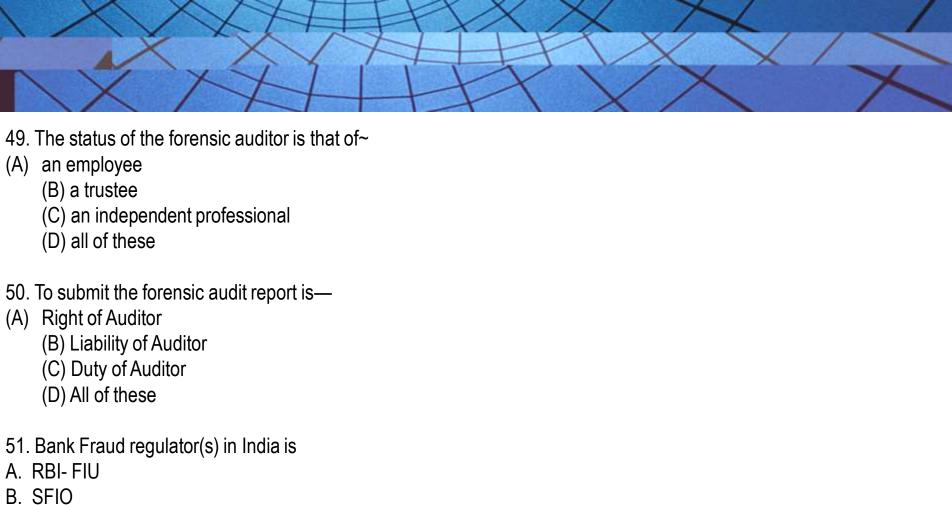
- •44. In CBS environment, CC / OD exceeding DP is a type of
 - a.Exception Report
 - b.Transaction report
 - c.Internal inspection report
 - d.Customer master report
- 45. Frequent Restructuring of advances / CDR cases should
 - a.Be reviewed in CBS and reported as deemed fit by auditor
 - b.Be ignored
 - c.Be reversed
 - d.Reported only to RBI
- •46. In CBS platform, cases of Non availability of stock audit report for advances against above Rs.5 crores
 - a.ls to be examined by auditor as it may be fraud risk
 - b.Should be ignored
 - c.Is to be reported to Branch manager
 - d.Is to be included in LFAR by Forensic Auditor

47. In CBS platform, cases of *Invocation of BG* is

- A. A Special audit point
- B. Low risk item
- C. Not to be reported
- D. To be included in MoC

48. In CBS, early / quick mortality case means

- A. Borrower has died
- B. Sanctioning Banker is dead just after loan sanction
- C. Advance turned NPA within 1 year, possible fraud risk
- D. Premature withdrawal of Fixed Deposit within 6 months from due date of maturity



- C. NFRA
- D. FRRB
- 52. Ghosh & Jilani Committee reporting on internal controls & fraud prevention / detection _____
- A. is required to be given by bank branch auditors
- B. Covered under accounting standards
- C. must be prepared by RBI
- D. should be drafted by branch / circle manager

- 53. Forensic Accounting is defined as:
- a. The practice of applying defined financial ratios to investigate a company's 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
- ANS c
- 54. When the auditor tests the documents by keeping them side by side then it is known as
- a. Test of impossibility
- b. Test of absurdity
- c. Juxtaposition test
- d. None of the above

- 55. PMLA was made effective from which year in India
- **A**. 1988
- **B**. 2002
- **C.** 2005
- **D.** 2010
- Ans = c
- 56. FCPA in USA mainly deals with
- A. terrorist crime
- B. bribery
- C. cybercrime
- D. all the above
- Ans = b

- 57.) "Fraud is a deliberate act of omission or commission by any person, carried out in the course of a banking transaction or in the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank" is a definition given by:
- a. SEBI
- b. RBI
- c. MCA
- d. ACFE
- Ans = b
- 58. Corruption Perception Index (CPI) is generated by :
- A. Transparency International
- B. IMF
- C. BIS
- D. CBI
- Ans = a

- 59. Payment to vendors who are not on approval list is a
- a. Management red flag
- b. Red flag in purchase
- c. Red flag in payroll
- d. Red flag in AR
- Ans = b
- 60. Which of the following types of Default / fraud Alert system has been initiated by RBI implemented by Indian banks
- a. Risk Based Supervision (RBS)
- b. Quick Warming System .
- c. Red Flag System (RFS)
- d. Early Warning System (EWS)
- Ans d

- 61. One of the first offender to be categorised as "wilful defaulter and later as 'Fugitive Offender" is :
- A. Yakub Menon
- B Dawood Ibrahim
- C. Vijay Mallya
- D. Lalit Modi
- Ans = c
- 62. This is the inclusion of a secret message in otherwise unencrypted text or images.
- a. Masquerade
- b. Steganography
- c. Spoof
- d. Hashing
- Ans h

- 63. Which of the following Audit Standards relates to fraud consideration?
- ◆ (A) ISA 230
 - (B) ISA 240
 - (C) ISA250
 - (D) none of the above
- Ans –b
- 64. The Generally Accepted Accounting Principles (GAAP) aim at-
- (A) Uniformity in accounting practices
 - (B) Uniform accounting practices in all enterprises
 - (C) Acceptance of globalisation, liberalisation and privatisation in the field of accounting
 - (D) All of the above
- Ans d
- 65. MitM attack indicates
- A. Man in the Moon
- B. Malware in the Middle
- C. Malpractice in True Motion
- D. Man in the Middle
- ♦ Ans = d

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- 66. Which of the following is excluded in Fraud triangle?
- A. motive
- B. opportunity
- C. rewards
- D. rationalisation
- ♦ Ans c
- ◆ 67. Which platform usually serves as "messaging or telecom service" between banks
- A. NEFT
- B. IMPS
- C. RTGS
- D SWIFT
- ♦ Ans d
- ◆ 68. A _____ is a flag which denotes a "too good to be true scenario".
- a. Red flag
- b. Green flag
- c. Amber flag
- d. White flag
- Ans b

- ♦ 69. Analysing non verbal cues is important for a forensic auditor while
- a. Interviewing a suspect
- b. Interrogating a suspect
- c. a & b both
- d. None of the above
- ♦ Ans c
- 70. When the fraudster is able to give a personal justification of dishonest actions, it is known as
- a. Pressure
- b. opportunity
- c. rationalization
- d. All of the above
- Ans c
- 71. Introduction, rapport, questioning, summary & close are elements of:
- a. Interview
- b. Investigation
- c. chargesheet
- d. None of the above
- Ans a

- 72. Professional Skepticism refers to
- a. An alert Mind
- b. A questioning Mind
- c. A & B Both
- d. None of the above
- Ans c
- 73. Weak internal controls in an organization will affect which of the elements of fraud?
- a. Motive
- b. Opportunity
- c. Rationalization
- d. None of the above
- ♦ Ans b
- → 74. Things to be avoided during an interview include:
- a. Threatening
- b. Detaining the person
- c. Negotiating
- d. All of the above
- Ans d

- → 75. Excessive payment to consultants & auditors is an example of
- a. Red flag
- b. Amber flag
- c. Green Flag
- d. None of the above
- Ans a
- → 76. Section 143(12) deals with reporting frauds committed by
- a. Officers of the company
- b. Employees of the company
- c. Third parties
- d. Only a & b
- ♦ Ans d
- 77. What kind of hacker uses hacking to send social, religious, and political, etc messages, usually, done by hijacking websites and leaving a message on the hijacked website?
- a. Hacktivist
- b. Black belt hacker
- c. White hat hacker
- d. Black Cat hacker
- Ans a

- 78. What is the art of exploiting the human elements / emotion etc to gain access to un-authorized resources?
- a. Ethical Hacking
- b. Social Engineering
- c. Caller ID Spoofing
- d. Human Engineering
- ♦ Ans b
- 79. Which password recovery method uses every possible letter, number, and character found on a keyboard?
- a. Surgical attack
- b. dictionary attack
- c. hybrid attack
- d. brute-force attack

- ◆ 80. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), ______ is the culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving, and realizing value.
- A. Corporate governance
- B. Internal control
- C. Fraud prevention
- D. Enterprise risk management

DFA Exam related MCQ

- 81. MCAfee is an example of
- A. Photo Editing Software
- B. Forensic audit software
- C. Virus
- D. Antivirus
- 82. Which of the following is known as Malicious software?
- A. illegalware
- B. badware
- C. malware
- D. spiderware

- 83. Which one is odd man out?
- a) Preventive vigilance
- b) Detective vigilance,
- c) Punitive vigilance
- d) Concurrent vigilance
- e) Ans d
- 84. VIRUS stands for
- A. Very Intelligent Result Until Source
- B. Very Interchanged Resource Under Search
- C. Vital Information Resource Under Siege
- D. Viral Important Record User Searched

- 85. To create an environment to detect fraud, bribery, promote transparency, companies need to initiate
- A. Reward system for informers / witnesses to frauds
- B. Board approved Anti-Fraud policy & robust audit mechanism
- C. A Corporate Ethics policy and ISO 37001
- D. All of the above
- 86. Key logger is a
- A. Firmware
- B. Antivirus
- C. Spyware
- D. All of the above

- **♦ 87 The term 'VAPT' denotes**
- A. Verifiable Analysis and Progression Technique
- B. Vulnerability Audit & Process Testing
- C. Vulnerability Assessment & Penetration Testing
- D. none of the above
- Answer c
- **♦ 88. The term "Whistleblower" is used to indicate**
- A. Undercover agent from Interpol
- B. Person who shares information about a fraud
- C. Senior R.A.W Officer
- D. Law enforcement Agency

- ♦ 89. Which are the reasons & advantages for committing cyber crime :
- A. Identity of attacker is unknown
- B. attack may be done remotely
- C. Fraud may not be discovered quickly
- D. It is considered "work of art" by some hackers
- Options
- ◆ 1. A & B
- ◆ 2. B&C
- 3. A,B,C
- 4. A,B,C,D

- 90. When to start cyber- investigation:
- a. after receiving permission from Cyber Cell
- b. after receiving authority from Sr. Inspector General of Police
- c. in case of cognizable offence, after lodging of FIR under Section 154 of Cr. P. C.
- d. as soon as non-cognizable offence is brought to the notice of Police
- Answer = c
- 91. Firewalls are used to protect against -----
- A. data driven attacks
- B. fire attacks
- C. virus attacks
- D. unauthorised access

- 92. Social engineering is
- A. a branch of Computer Engineering
- B. demotes IT savvy modern society
- C. A branch of social science
- D. a technique of data / identity theft
- Ans d
- ◆ 93. ----- is the international audit standard regarding using the work of an expert
- A. ISA 600
- B. ISA 610
- C. ISA 620
- D. ISA 700
- Ans –C

- ◆ 94. ----- are attempts by individuals to obtain confidential information from user by falsifying their identity.
- A. Computer viruses
- B. Phishing
- C. Fishing
- D. Spycamera
- Ans b

- 95. As per ISA 240, Irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall design and perform audit procedures to:
 - Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
 - Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatements due to fraud.

Options

- All of the above are true
- All are false
- 3. Only A is true
- 4 Only B is true
- $_{5.}$ Ans =

- 96. The altering of data so that it is not usable unless the changes are undone is
- A. ergonomics
- B. compression
- C. biometrics
- D. encryption
- Ans d
- 97. When logic bomb is activated by time related event, it is known as
- A. bomb-blast
- B. trojan horse
- C. atom bomb
- D. time bomb
- ◆ Ans d

- 98. A fraudster uses the email account of a company's president to impersonate the president and ask an employee to make a wire transfer. This can BEST be described as which of the following types of fraud schemes?
- a) Business email compromise
- b) Shoulder surfing
- c) Reverse social engineering
- d) Pharming
- Ans= a
- 99. The OECD's Base Erosion and Profit Shifting Project, addresses
- A. issues of financial frauds
- B. the need to create international action group against money laundering
- C. issues of tax evasion / avoidance by certain MNC s by diverting profits
- D. Development of International Forensic audit strategy
- Ans= c

100. The "7 Golden Principles" pronounced by Central Vigilance Commission (CVC) excludes which of the following:

- a) To find Facts and not Faults
- b) To Guide and not Chide
- c) To extend a helping hand and not point fingers
- d) To bribe and not hide
- e) Ans = d

DFA – Technical Journey ends, Best wishes for your success!!

