

## LAW RELATED TO FRAUD

1. Which of the following acts would constitute violations under the U.S. Foreign Corrupt Practices Act's (FCPA) anti-bribery provisions?
- A. To introduce a public construction contract award, a U.S company promises to pay a foreign official \$45,000 upon securing the contract
  - B. A U.S company transfers \$45,000 to a foreign official to influence the official to award it a public construction contract
  - C. A German company that is publicly traded on the New York Stock Exchange transfers \$45,000 to a foreign official to influence the official to award it a public construction contract.
  - D. All of the above
2. Sandra, who has no accounting experience, completed tax documents for her new business. The information was more complex than she realised, and she improperly (although unintentionally) completed the documents. Which of the following statements is MOST ACCURATE?
- A. Sandra will only be subject to criminal penalties if the government suffered an actual loss
  - B. Sandra will be subject to criminal penalties because she incorrectly completed the documents
  - C. Sandra will not be subject to criminal penalties because new businesses have one year of immunity from criminal tax liability
  - D. Sandra will not be subject to criminal penalties because her improper act was not willful.
3. Which of the following refers to investments that are designed to yield a tax benefit to the investor?
- A. Tax havens
  - B. Secrecy jurisdictions
  - C. Money laundering havens
  - D. Tax shelters
4. To prove a defendant is guilty of accepting an illegal gratuity, the prosecution must show that the defendant was influenced by the acceptance of the improper payment.
- A. True
  - B. False
5. In most countries, which of the following is something that a government prosecutor must prove in order to convict someone of the crime of making a false statement to the government?
- A. The individual acted knowingly and willfully when making the statement.
  - B. The statement was the result of a mistake or other innocent reason.
  - C. The government was influenced by or suffered a loss because of the statement
  - D. The individual made the statement directly to the government
6. Moore, a transportation officer for his government's defence department, is responsible for awarding contracts to private freight carriers for the defence department's freight shipments. Moore awarded Zantigo Freight a shipment contract to transport defence department equipment, and as a gesture of thanks, Zantigo gave Moore a new laptop computer. Based on these facts, the government would be more likely to bring illegal gratuity charges against Moore than bribery charges.
- A. True
  - B. False
7. To prove a claim for an illegal gratuity, the government must prove that a thing of value was given, offered, or promised to (or demanded, sought, received, or accepted by) a public official for or because of an official act performed or to be performed by such public official.

- ~~A.~~ True  
B. False
8. Which of the following types of taxes are considered consumption taxes?
- ~~A.~~ Excise taxes  
~~B.~~ Sales taxes  
C. Value added taxes  
~~D.~~ All of the above
9. For a false statement to violate a law criminalising false statements to government agencies, it need not be made directly to the government; it can be made to a third party as long as it involves a matter within the jurisdiction of a governmental department or agency.
- ~~A.~~ True  
B. False
10. \_\_\_\_\_ is any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.
- ~~A.~~ Embezzlement  
~~B.~~ Fraud  
C. Extortion  
D. Bribery
11. The U.S. Foreign Corrupt Practices Act (FCPA) has two major parts. The first part criminalises the bribery of a foreign public official to obtain or retain business. The second part pertains to money laundering, requiring publicly traded companies to adopt policies, procedures, and internal controls reasonably designed to prevent money laundering.
- ~~A.~~ True  
 B. False
12. Assuming that the relevant jurisdiction recognises each of the legal defences below, which of the following is the best defence against a tax fraud charge, provided that the facts will support the defence?
- A. Reliance on an attorney  
 B. Lack of deficiency  
~~C.~~ Lack of willfulness  
D. Reliance on an accountant
13. Which of the following is a legal element that must be shown to prove a claim for fraudulent misrepresentation of material facts?
- ~~A.~~ The victim relied on the misrepresentation  
~~B.~~ The victim suffered damages as a result of the misrepresentation  
C. The defendant knew the representation was false  
~~D.~~ All of the above
14. Which of the following is one of the areas of primary concern in which the OECD Recommendation on Combating Bribery in International Business urges member states to take steps to combat the bribery of foreign public officials?
- ~~A.~~ Laws and regulations covering e-commerce  
B. Sensitive data protection laws  
~~C.~~ Tax systems and regulations  
D. Public safety systems and regulations
15. To prove that a defendant committed criminal perjury, the government prosecutor must show that the defendant, while in a court of law, knowingly made a false statement that influenced the jury's decision.
- ~~A.~~ True

B. False

16. To establish the crime of embezzlement, the government must prove that there was a fiduciary relationship between the perpetrator and the victim resulting from the perpetrator's lawful possession of the property when it was stolen/misappropriated.

A. True

B. False

17. In most jurisdictions, a taxpayer will typically be guilty of conducting a tax offence "wilfully" even though he had a good faith or legitimate misunderstanding of the requirements of the law.

A. True

B. False

18. To establish that a defendant violated a law criminalising false statements to government agencies, the government must prove that the defendant made a false statement regarding a matter within the jurisdiction of a government agency, and the agency relied on the false statement to its detriment.

A. True

B. False

19. The OECD Recommendation on Combating Bribery in International Business (Recommendation) focuses on the "supply side" of bribery (the offering side of the bribery bargain), but not the "demand side" (the solicitation and receipt of bribes).

A. True

B. False

20. Officers and directors of a corporation have a fiduciary duty to act solely in the best interest of non-shareholder constituencies.

A. True

B. False

21. Theft is any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.

A. True

B. False

22. Melanie lives in a jurisdiction that requires her to report her foreign bank accounts to the government annually, but she intentionally fails to report an account she has in a foreign secrecy jurisdiction. Which of the following best describes this type of tax evasion scheme?

A. Consumption tax evasion

B. Income and wealth tax evasion

C. Falsified deductions scheme

D. Tax credit scheme

23. Which of the following is the MOST ACCURATE statement about laws criminalising false statements to government agencies?

A. An individual can be found guilty for making a false statement only if the statement was made under oath.

B. An individual can be found guilty for making a false statement even if the individual did not know the statement was false at the time the statement was made.

C. An individual can be found guilty for making a false statement even if the government did not suffer a loss in reliance on it.

D. An individual can be found guilty for making a false statement only if the statement is made directly to a governmental department or agency

24. A particular tax levied by the central government in a country imposes a one-time tax that only applies to alcohol products that are imported. Which of the following best describes this type of tax?



- A. Credit tax  
B. Value-added tax  
C. Excise tax  
D. Income tax
25. Which of the following is an element that must be proven to establish a perjury offence?  
A. The defendant made the statement with knowledge of its falsity ✓  
B. The defendant made a false statement while under oath ✓  
C. The defendant made a false statement that was material ✓  
D. All of the above
26. Which of the following tax evasion schemes would be accurately classified as an income and wealth tax evasion scheme?  
A. Smuggling goods into a jurisdiction to avoid excise taxes  
B. Fraudulently applying for a refund of a value-added tax  
C. Pretending to transfer assets to another person or entity to lower tax liability  
D. All of the above
27. Which of the following is NOT a legal element that must be shown to prove a claim for official bribery?  
A. The receipt was (or was selected to be) a public official ✓  
B. The defendant acted with corrupt intent ✓  
C. The government suffered damages as a result ✗  
D. The defendant gave or received a thing of value ✓
28. Which of the following is a legal element that the government must show to prove a criminal conspiracy?  
A. At least one of the conspirators knowingly committed at least one overt act in furtherance of the conspiracy  
B. The defendant knew the purpose of the agreement and intentionally joined in the agreement ✓  
C. The defendant entered an agreement to commit an illegal act ✓  
D. All of the above
29. Which of the following is a commonly available defence to tax fraud penalties?  
A. Death of the taxpayer  
B. Mental illness  
C. Bankruptcy  
D. Amending the fraudulently submitted information
30. The OECD Recommendation on Combating Bribery in International Business (Recommendation) targets acts of bribery within the private sector.  
A. True  
B. False
31. Which of the following is a common legal defence to tax evasion?  
A. The taxpayer relied on an attorney or accountant ✗  
B. The taxpayer engaged in tax avoidance, not tax evasion ✓  
C. The taxpayer was mentally ill at the time of the conduct  
D. All of the above ✗
32. In tax fraud cases, wilfulness to commit the offence can be inferred from all of the following types of conduct EXCEPT:  
A. Covering up sources of income ✓  
B. Keeping a set of tax records separate from standard financial reporting records ✓  
C. Concealing assets  
D. Destroying books or records •
33. Which of the following statements about the UK Bribery Act is NOT correct?

- A. The UK Bribery Act has broader application than the FCPA because, unlike the FCPA, it makes commercial bribery a crime.
- B. Unlike the FCPA, the UK Bribery Act does not contain an explicit exception for facilitating payments.
- C. The UK Bribery Act exercises jurisdiction over all individuals and corporate entities for acts of corruption when any part of the offences occurs in the UK.
- ~~D. If an organisation's anti-corruption programme complies with the FCPA, it will be sufficient for the purpose of complying with the UK Bribery Act.~~
34. Which of the following statements concerning tax shelters is most accurate?
- A. Tax shelters are always legal
- ~~B. Tax shelters may be legal or illegal~~
- C. Tax shelters are generally illegal in most countries
- D. Tax shelters are inherently illegal
35. The U.S. Foreign Corrupt Practices Act (FCPA) not only prohibits bribes to foreign officials, it also requires publicly traded companies subject to the FCPA's jurisdiction to keep accurate books and records and adopt internal controls to prevent improper use of corporate funds.
- ~~A. True~~
- B. False
36. Which of the following statements about the United Nations Convention Against Corruption (UN Convention) is correct?
- A. Member states must implement the necessary mechanisms to detect and prevent the transfer of assets obtained through illicit activities
- B. Member states must ensure the existence of independent anti-corruption bodies that oversee the implementation of the UN Convention policies
- C. Member states must exercise jurisdiction over acts of corruption committed within their territories or by their nationals
- ~~D. All of the above~~
37. To be guilty of larceny in a jurisdiction in which larceny is an offence, the perpetrator must have lawful possession of the cash or property that he steals.
- A. True
- ~~B. False~~
38. The OECD Recommendation on Combating Bribery in International Business (Recommendation) was designed to combat corruption in international business by urging member states to adopt effective measures to detect, prevent, and combat bribery of foreign public officials in international business.
- ~~A. True~~
- B. False
39. Vendor A and Vendor B both operate in a jurisdiction with a 20 percent value-added tax (VAT). Vendor A sells goods to Vendor B and collects the VAT. Rather than turning the VAT over to the government, Vendor A simply pockets the money and disappears. Which of the following best describes this type of fraud scheme?
- ~~A. Missing trader scheme~~
- B. Falsified deduction scheme
- ~~C. Income tax scheme~~
- D. Wealth tax scheme
40. Which of the following offences occurs when a person steals property for which he has legal custody or possession?
- A. Robbery
- B. Larceny

~~C.~~ Fraudulent misrepresentation

~~D.~~ Embezzlement

41. To prove a criminal conspiracy, the government must prove that the defendant knew all the details or objective of the conspiracy, that the defendant knew the identity of all the participants in the conspiracy, and that the conspirators accomplished the purpose of the conspiracy.

A. True

~~B.~~ False

42. Generally, to establish an illegal gratuity violation, the government must prove that the gratuity was given for the purpose of influencing an official act.

A. True

~~B.~~ False

43. Richard, a computer programmer, works in an office environment with cubicles. While on his way back from the restroom, Richard notices that Alice, one of his coworkers, left her purse unattended on her desk. Richard steal \$50 from Alice's purse. Assuming that Richard works in a jurisdiction in which larceny is an offence, he committed larceny.

A. True

~~B.~~ False

\* 44. Which of the following is an element that must be established to prove fraud based on the concealment of material facts?

A. The defendant failed to disclose a material fact that he had a duty to disclose ✓

B. The defendant acted with intent to mislead or deceive the victim(s) ✓

C. The defendant had knowledge of a material fact that he had a duty to disclose ✓

~~D.~~ All of the above

45. Craig and Donna each own 40 percent of the shares of Indiwealth and serve on its board of directors. George also a shareholder, but he is not a member of the board of directors. Donna dies, and her son, Steven, inherits her shares of Indiwealth and replaces her on the board. Steven, however, is inattentive to Indiwealth's corporate affairs. During this time, Craig diverts corporate funds for personal use, and consequently, Indiwealth becomes insolvent. If George decides to sue Steven for violating his fiduciary duties, under what theory is he likely to file the suit?

~~A.~~ Violating the duty of care

B. Violating the duty of reasonableness

C. Violating the duty of loyalty

D. Violating the duty of responsibility

46. Unlike the U.S. Foreign Corrupt Practices Act, the UK Bribery Act makes it a crime to bribe a foreign public official in connection with international business transactions.

A. True

~~B.~~ False

47. For a conflict of interest claim to be actionable against an agent, the agent must have:

A. Informed the principal of his actions ✓

~~B.~~ Had an undisclosed interest in a matter that could influence his professional role ✓

C. Purported to act on behalf of, or as an agent for, an identified principal ✓

D. Breached the duty of fidelity that he owed to his principal

48. \_\_\_\_\_ refers to any fraudulent actions a taxpayer commits to avoid paying his taxes.

A. Tax avoidance

B. Tax reduction

~~C.~~ Tax evasion



D. None of the above

49. Which of the following MOST ACCURATELY describes the legal elements that must be shown to prove a claim for commercial bribery?

- A. The defendant, while acting with corrupt intent and without the victim's knowledge or consent, gave or received a thing of value that was intended to influence
- B. The defendant, while acting without due care, gave or received a thing of value that was intended to influence the recipient's action in a business decision, causing his principal to suffer damages.
- C. The defendant, while acting with corrupt intent, gave or received a thing of value that was intended to influence the recipient's action in a business ✓
- ~~D.~~ The defendant, while acting negligently and without the victim's knowledge or consent, gave or received a thing of value that was intended to influence the recipient's action in a business decision.

50. In addition to prohibiting bribes to foreign officials for business purposes, the U.S. Foreign Corrupt Practices Act (FCPA) prohibits facilitating payments, or "grease payments," made to foreign officials to facilitate the officials' ability to perform their duties.

~~A.~~ True

B. False

51. Anderson, a lawyer in a jurisdiction in which larceny is a common law offence, is in possession of funds that belong to his client, Mullins. Anderson subsequently misappropriates those funds with the intent to defraud Mullins. Under these facts, Anderson has committed larceny.

A. True

~~B.~~ False

52. Paul is on the boards of two companies that compete in the highway construction industry. Paul does not disclose this conflict, and he does not step down from the board of either company. If Paul's acts are discovered and he is sued for violating his fiduciary duties, under what theory is the suit most likely to be filed?

- A. Violating the duty of care ✓
- B. Violating the duty of fair competition
- ~~C.~~ Violating the duty to disclose
- D. Violating the duty of loyalty

53. The OECD Recommendation on Combating Bribery in International Business urges member states to combat the bribery of foreign public officials by taking steps to improve certain areas within their respective infrastructures. Which of the following is NOT one of those primary areas?

- ~~A.~~ Criminal, civil, commercial, and administrative laws
- B. Banking and accounting requirements and practices.
- C. Laws and regulations covering the handling of sensitive protected data
- D. Tax systems and regulations

54. Which of the following statements is CORRECT?

- A. Neither tax evasion nor tax avoidance is unlawful
- B. Both tax evasion and tax avoidance are unlawful
- ~~C.~~ Tax evasion is unlawful, but tax avoidance is not
- D. Tax avoidance is unlawful, but tax evasion is not

55. The UK Bribery Act has broader application than the U.S. Foreign Corrupt Practices Act because, unlike the FCPA, it makes commercial bribery a crime.

~~A.~~ True

3. False

56. An action for fraud may be based on the concealment of material facts, but only if:

- A. The victim had a duty in the circumstances to disclose

- B. ~~The defendant had a duty to investigate the material facts~~  
C. ~~The victim relied on the misrepresentation~~  
D. ~~The defendant had a duty in the circumstances to disclose.~~
57. Which of the following is a legal element that must be shown to prove a claim for fraudulent misrepresentation of material facts?
- A. The defendant acted negligently  
B. The victim failed to exercise due care in relying on the representation  
C. ~~The defendant had a duty to disclose the information~~  
D. The defendant misrepresented a material fact
58. The duty of loyalty means that people in a fiduciary relationship must act with such care as an ordinarily prudent person would employ in similar positions.
- A. True  
B. ~~False~~
59. The death of the taxpayer and bankruptcy proceedings typically serve as legal defences against criminal tax evasion.
- A. True  
B. ~~False~~
60. Which of the following is an element the government must prove to establish that an individual violated a law criminalising false statements to government agencies?
- A. The defendant made a false statement  
B. The statement concerned a matter within the jurisdiction of a government agency  
C. The false statement was material  
D. ~~All of the above~~
61. Which of the following is an element that must be established to prove fraud based on the concealment of material facts?
- A. The defendant had knowledge of a material fact that concerned a matter within the jurisdiction of a government agency  
B. ~~The defendant acted with intent to mislead or deceive the victim(s)~~  
C. The victim failed to exercise due care in relying on the defendant's actions  
D. The defendant knew for certain the victim would be harmed
62. A private UK company transfers \$60,000 to a Chinese public official to influence the award of a public construction contract. This act would constitute a violation of the U.S. Foreign Corrupt Practices Act (FCPA).
- A. ~~True~~  
B. False
63. Which of the following is NOT a legal element that must be shown to prove a claim for commercial bribery?
- A. The defendant gave or received a thing of value  
B. ~~The principal suffered damages as a result of the bribe~~  
C. The defendant acted with corrupt intent  
D. The recipient acted without the victim's knowledge or consent
64. For a conflict of interest claim to be actionable, the conflict must be undisclosed.
- A. ~~True~~  
B. False
65. The ABC Company, a UK company with securities that are registered in the United States, transferred \$40,000 to a Japanese public official to influence the award of lucrative overseas contracts. This act would constitute a violation of the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.
- A. True



B. False

66. Which of the following is considered obstruction of justice?

- A. Impeding a government auditor in the performance of his duties
- B. Destroying documents related to a future proceeding
- C. Influencing a witness with bribes
- D. All of the above

67. Which of the following would be classified as a falsified tax deduction scheme?

- A. A taxpayer fraudulently claims income or wealth was earned in a foreign jurisdiction to reduce tax liability
- B. A taxpayer bribes a vendor to create a fictitious invoice that appears to increase the taxpayer's costs of goods sold
- C. A taxpayer smuggles cigarettes into the country to avoid excise taxes
- D. All of the above

68. Delta, a fraud suspect, has been charged with committing a federal crime. Before her trial, she contacted witnesses against her and tried to get them to change their stories by threatening them. Delta could be further charged with:

- A. Obstruction of justice
- B. Contempt of court
- C. Judicial extortion
- D. None of the above

69. Which of the following would NOT be classified as a falsified tax deduction scheme?

- A. An individual taxpayer fraudulently deducts interest payments from his taxable income on loans that do not qualify for such deductions.
- B. A corporate taxpayer intentionally underreports its carbon pollution emissions for a government tax credit
- C. An individual taxpayer misclassifies non-deductible expenses as deductible expenses as deductible in tax records submitted to the government
- D. A corporate taxpayer records fictitious employees and salaries in its books to increase the costs of goods sold and lower its tax liability.

70. Jean intended to defraud the government by failing to withhold taxes on her employee's income, but it turns out there was no tax deficiency because her employee was exempt from such taxes. In most jurisdictions, would Jean be criminally liable for tax evasion for this conduct?

- A. No, because failing to collect taxes on employee income is not a criminal offence
- B. Yes, because she intended to defraud the government
- C. No, because there was no tax deficiency
- D. Yes, because she did not collect taxes on the employee's income

71. Which of the following is considered obstruction of justice?

- A. Contacting a government investigator
- B. Showing disrespecting to a judge
- C. Influencing a witness with bribes
- D. Subpoenaing a government witness

72. Which of the following MOST ACCURATELY describes the legal elements that must be shown to prove a claim for official bribery?

- A. The defendant, while acting negligently, gave or received a thing of value that was intended to influence an act or duty of the recipient who was (or was selected to be) a public official, causing the government to suffer damages
- B. The defendant, while acting with corrupt intent, gave or received a thing of value that was intended to influence an act or duty of the recipient who was (or was selected to be) a public official.

- C. The defendant, while acting negligently, gave or received a thing of value that was intended to influence an act or duty of the recipient who was (or was selected to be) a public official.
- D. The defendant, while acting without due care, gave or received a thing of value that was intended to influence an act or duty of the recipient who was (or was selected to be) a public official.
73. The UN Convention does not require member states to criminalise all of the acts of corruption that it lists; member states may criminalise only certain acts and merely consider criminalising others.
- A. True
- B. False
74. Member states of the United Nations Convention Against Corruption (UN Convention) must ensure the existence of independent anti-corruption bodies that oversee the implementation of the UN Convention policies.
- A. True
- B. False
75. The OECD Recommendation on Combating Bribery in International Business urges member states to combat the bribery of foreign public officials by taking steps to improve which of the following areas?
- A. Banking and accounting requirements and practices
- B. Tax systems and regulations
- C. Laws and regulations related to public subsidies, licences and contract procurement
- D. All of the above