Corporate Deception and High-Profile White-Collar Crime Cases

Your Name:

1. Who coined the term "white-collar crime" in 1939?

- [ ] A. Edwin H. Sutherland
- [ ] B. Bernie Madoff
- [ ] C. Harry Markopolos
- [ ] D. Andrew Fastow

2. White-collar crime usually involves physical violence as its main method.

- [ ] A. True
- [ ] B. False

3. What is fraud?

- [ ] A. The review of financial records by an auditor
- [ ] B. The payment of taxes on business income
- [ ] C. Intentional deception used to obtain money, property, or services
- [ ] D. The legal investment of company profits

4. What makes embezzlement different from simple theft?

- [ ] A. The offender takes money only from strangers
- [ ] B. The offender initially has lawful possession of the funds
- [ ] C. The offender must use violence to obtain the funds
- [ ] D. The offender always steals physical goods

5. Insider trading can involve using material, nonpublic information to trade securities.

- [ ] A. True
- [ ] B. False

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6. What is the basic mechanism of a Ponzi scheme?

- [ ] A. Returns to earlier investors are paid with money from newer investors
- [ ] B. Returns are produced only by successful, independently verified investments
- [ ] C. A company sells products below cost to gain market share
- [ ] D. Investors receive shares in a government savings program

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7. A Ponzi scheme can continue indefinitely without attracting new money.

- [ ] A. True
- [ ] B. False

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8. What happens during the placement stage of money laundering?

- [ ] A. A court determines the final sentence
- [ ] B. Money is returned as apparently legitimate income
- [ ] C. Investigators freeze every bank account involved
- [ ] D. Illicit money enters the financial system

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9. Which activity best describes layering in money laundering?

- [ ] A. Using cleaned money to buy apparently legal assets
- [ ] B. Reporting suspicious transactions to regulators
- [ ] C. Moving money through complex transactions to hide its source
- [ ] D. Depositing cash into the first available bank account

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10. Integration is the stage when laundered money appears to come from legitimate sources.

- [ ] A. True
- [ ] B. False

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11. Which organization is identified as playing a key role in investigating white-collar crimes in the United States?

- [ ] A. The National Park Service
- [ ] B. The FBI
- [ ] C. The International Olympic Committee
- [ ] D. The World Health Organization

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12. White-collar crimes can cause serious financial harm even when they do not involve physical violence.

- [ ] A. True
- [ ] B. False

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13. Which statement best distinguishes insider trading from embezzlement?

- [ ] A. Insider trading always involves physical cash, while embezzlement always involves stock prices
- [ ] B. Insider trading is always legal, while embezzlement is usually a business decision
- [ ] C. Insider trading requires violence, while embezzlement does not
- [ ] D. Insider trading involves securities and confidential information, while embezzlement involves misusing entrusted funds

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14. How did Enron use special purpose entities?

- [ ] A. To pay investors with government grants
- [ ] B. To move debt and risky assets off its balance sheet
- [ ] C. To conduct independent emissions testing
- [ ] D. To protect employees from losing their jobs

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15. Enron's mark-to-market accounting allowed it to record projected future profits as current earnings.

- [ ] A. True
- [ ] B. False

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16. What was the main purpose of Enron's special purpose entities?

- [ ] A. To distribute government pensions
- [ ] B. To provide medical testing to employees
- [ ] C. To monitor vehicle emissions
- [ ] D. To make Enron appear less indebted

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17. Who warned Enron chairman Kenneth Lay that the accounting practices could cause the company to implode?

- [ ] A. Elizabeth Holmes
- [ ] B. Rita Crundwell
- [ ] C. Sherron Watkins
- [ ] D. Cynthia Cooper

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18. Enron's share price remained above $90 after the company revealed its accounting problems.

- [ ] A. True
- [ ] B. False

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19. How did Madoff pay supposed returns to many earlier investors?

- ☐ A. With profits from verified stock trades
- ☐ B. With royalties from a technology patent
- ☐ C. With money from newer investors
- ☐ D. With government insurance payments

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20. Madoff's investment advisory business actually carried out all the trades it claimed to make.

- ☐ A. True
- ☐ B. False

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21. What weakness helped Madoff's scheme continue for many years?

- ☐ A. Investors were forbidden from requesting withdrawals
- ☐ B. The company operated without any clients
- ☐ C. Madoff openly published inaccurate accounts
- ☐ D. Regulators failed to verify that the reported trades actually occurred

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22. Who repeatedly warned the SEC that Madoff's returns were mathematically impossible?

- ☐ A. Harry Markopolos
- ☐ B. Kenneth Lay
- ☐ C. Bernard Ebbers
- ☐ D. Martin Winterkorn

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23. Madoff's scheme collapsed after many clients requested their money during the 2008 financial crisis.

- ☐ A. True
- ☐ B. False

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24. What is one important lesson from the Madoff case?

- [ ] A. Independent verification of assets and trades is essential
- [ ] B. A respected reputation removes the need for audits
- [ ] C. Steady returns are always evidence of honest investing
- [ ] D. Investment managers should control all records themselves

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25. Madoff received a 150-year prison sentence after pleading guilty to multiple felony counts.

- [ ] A. True
- [ ] B. False

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26. Which person is correctly matched with the case in which they raised concerns internally?

- [ ] A. Harry Markopolos - Volkswagen
- [ ] B. Sherron Watkins - Enron
- [ ] C. Elizabeth Holmes - WorldCom
- [ ] D. Bernie Madoff - Theranos

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27. What did Volkswagen's defeat device software do?

- [ ] A. Recorded customers' driving locations for insurance companies
- [ ] B. Detected emissions testing and activated stronger emissions controls
- [ ] C. Improved fuel economy during every type of driving
- [ ] D. Stopped the vehicle whenever pollution increased

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28. Volkswagen vehicles always used their strongest emissions controls during normal road driving.

- [ ] A. True
- [ ] B. False

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29. What revealed the difference between Volkswagen's laboratory and road emissions?

- ☐ A. An examination of company retirement accounts
- ☐ B. A routine employee salary review
- ☐ C. A customer satisfaction survey
- ☐ D. Independent real-world emissions testing

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30. Real Driving Emissions testing uses portable equipment while vehicles are driven on actual roads.

- ☐ A. True
- ☐ B. False

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31. What was the main control failure in Rita Crundwell's embezzlement?

- ☐ A. Employees were unable to access any bank information
- ☐ B. The city used too many separate financial officers
- ☐ C. Several independent auditors approved every payment
- ☐ D. She controlled recording, reconciliation, and reporting of financial transactions

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32. What is segregation of duties intended to do?

- ☐ A. Remove all audits from an organization
- ☐ B. Allow one trusted employee to manage every financial task
- ☐ C. Ensure that only executives can see bank statements
- ☐ D. Give different people responsibility for authorizing, recording, and checking transactions

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33. Crundwell's fraud was discovered while she was away from work and another employee reviewed bank statements.

- ☐ A. True
- ☐ B. False

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34. What did Tyco executives use to take money from the company?

- [ ] A. Secret medical testing devices
- [ ] B. New investor deposits in a Ponzi scheme
- [ ] C. Emissions-control software
- [ ] D. Unauthorized bonuses, loans, and personal benefits

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35. The Tyco scandal mainly involved executives using the company as a personal source of money.

- [ ] A. True
- [ ] B. False

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36. How did Theranos mislead investors and the public?

- [ ] A. It reported that no blood testing was available
- [ ] B. It claimed its device performed many tests while secretly relying heavily on other machines
- [ ] C. It used independent laboratories to verify every claim
- [ ] D. It sold only ordinary laboratory equipment without making special claims

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37. Which problem made the Theranos case especially dangerous for patients?

- [ ] A. The company stopped selling all medical products
- [ ] B. Inaccurate test results could affect medical decisions
- [ ] C. Patients received too many legitimate test results
- [ ] D. The device made appointments more expensive but stayed accurate

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38. Theranos was mainly accused of hiding ordinary company expenses through accounting entries.

- [ ] A. True
- [ ] B. False

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39. Which investigative step helps build a financial crime case?

- ☐ A. Deleting records that appear confusing
- ☐ B. Ignoring financial records until a trial begins
- ☐ C. Gathering documents and interviewing witnesses
- ☐ D. Accepting management claims without checking them

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40. The FBI and SEC may work together during financial crime investigations.

- ☐ A. True
- ☐ B. False

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41. What is continuous auditing designed to provide?

- ☐ A. A way to prevent employees from reporting concerns
- ☐ B. A replacement for all internal controls
- ☐ C. A single review only after a company closes
- ☐ D. Ongoing monitoring and checking of financial activity

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42. Benford's Law analysis can help identify unusual patterns in financial numbers.

- ☐ A. True
- ☐ B. False

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43. What does Benford's Law analysis examine?

- ☐ A. The personal opinions of a company's employees
- ☐ B. The distribution of leading digits in naturally occurring numbers
- ☐ C. The legal age of a corporation
- ☐ D. The number of customers who attend a meeting

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44. Which reform is associated with the Sarbanes-Oxley Act?

- [ ] A. CEO and CFO certification of financial statements
- [ ] B. Permission for auditors to hide conflicts of interest
- [ ] C. A ban on all corporate financial reporting
- [ ] D. Removal of all requirements for internal controls

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45. Sarbanes-Oxley was passed in response to major corporate scandals such as Enron and WorldCom.

- [ ] A. True
- [ ] B. False

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46. What did Sarbanes-Oxley do regarding auditor independence?

- [ ] A. It required companies to use the same auditor forever
- [ ] B. It placed stricter limits on auditors providing certain consulting services
- [ ] C. It allowed auditors to approve their own financial reports
- [ ] D. It ended the need for external audits

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47. Strong internal controls can help prevent one employee from controlling an entire financial process.

- [ ] A. True
- [ ] B. False

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48. Which measure can help detect suspicious transactions in real time?

- [ ] A. Allowing employees to approve their own expenses
- [ ] B. Removing access logs from financial systems
- [ ] C. Automated transaction monitoring
- [ ] D. Annual celebrations for senior managers

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49. Employee training about fraud detection is one possible prevention measure.

- [ ] A. True
- [ ] B. False

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50. Which is a possible legal consequence of white-collar crime?

- [ ] A. Guaranteed immunity from civil lawsuits
- [ ] B. Automatic promotion
- [ ] C. A permanent exemption from audits
- [ ] D. Jail time, fines, or restitution

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51. A strong culture of compliance can help reduce the risk of financial misconduct.

- [ ] A. True
- [ ] B. False

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52. What is the main purpose of interviewing witnesses during a financial investigation?

- [ ] A. To learn how events occurred and identify relevant evidence
- [ ] B. To guarantee that every witness is guilty
- [ ] C. To prevent investigators from contacting third parties
- [ ] D. To replace all document examination
