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QUESTION 1

An attitude that includes a questioning mind and a critical assessment of audit evidence is called:

- A. Operational skepticism
- B. Audit skepticism
- C. Professional skepticism
- D. None of the above

Correct Answer: C

QUESTION 2

The establishment of loss reserves generally requires considerable judgment and knowledge of the entity's business is known as:

- A. integration assessment
- B. procurement assessment
- C. qualitative assessment
- D. quantitative assessment

Correct Answer: C

QUESTION 3

Direct serving loans method requires a system of good internal control and requires that the functions be split between the Accounting Department and the Investment Department. In such a case the Accounting Department is responsible for all of the following EXCEPT:

- A. Supplying the Investment Department with correct data and reports that summarize all loan transactions
- B. Alerting the Investment Department promptly whenever an exception to the normal processing routine occurs
- C. The design, maintenance, and accuracy of accounting records, for periodic management and exception reports, and for statutory statement preparation
- D. Its records may or may not provide the needed data to support this reporting function

Correct Answer: D

QUESTION 4

Evidences the fair market value of the property that is security for the mortgage loan. The appraisal value is used to

determine that the loan to market value ratio is in compliance with regulatory requirements. It also is used to determine any non-admitted mortgage loan amount. Appraisals are obtained from:

- A. Independent, qualified appraisers
- B. The company's own qualified appraisers
- C. Federal Housing Administration
- D. Any one out of A and B

Correct Answer: D

QUESTION 5

In many states, a claims-made insurance policy is required to:

- A. contain an extended-reporting clause
- B. provide for purchase, at the policyholder's option
- C. provide for automatic tail coverage
- D. All of the above

Correct Answer: D

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