

# SOFE-CFE<sup>Q&As</sup>

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**QUESTION 1**

In \_\_\_\_\_, the actuary varies the assumptions and the models to test the sensitivity of the reported or carried loss liabilities.

- A. potential test
- B. latent test
- C. earned premium test
- D. prospective test

Correct Answer: D

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**QUESTION 2**

Which of the following is Correct?

- A. The insurance company transfers to the seller of a call option the opportunity for capital loss-if the stock rises by an amount exceeding the exercise price, plus the cost of the option (premium).
- B. The insurance company transfers to the buyer of a call option the opportunity for capital gain-if the stock rises by an amount exceeding the exercise price, plus the cost of the option (premium).
- C. The insurance company transfers to the seller of a call option the opportunity for capital loss-if the stock decreases by an amount exceeding the exercise price, plus the cost of the option (premium).
- D. The insurance company transfers to the buyer of a floor option the opportunity for option gain-if the stock rises by an amount exceeding the exercise price, plus the cost of the option (premium).

Correct Answer: B

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**QUESTION 3**

A technique for analyzing the percentage change in individual financial statement items from one year to the next is known as:

- A. Vertical analysis
- B. Horizontal analysis
- C. Fraction analysis
- D. Ratio analysis

Correct Answer: B

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**QUESTION 4**

In which scheme, the employees do not submit the vendor's invoices; rather, they intentionally mishandle payments that are owed to the legitimate vendors?

- A. pay-and-return scheme
- B. disbursement scheme
- C. pass-through scheme
- D. double-pay scheme

Correct Answer: A

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#### QUESTION 5

Which of the following is Correct?

- A. Under the monthly pro rata method, the policy year is divided into two equal parts, with the first month and the last month of the policy year earning only 1/2 of the premium.
- B. Under the monthly pro rata method, the policy year is divided into twelve equal parts, with the first month and the last month of the policy year earning only 1/12 of the premium.
- C. Under the monthly pro rata method, the policy year is divided into twenty-four equal parts, with the first month and the last month of the policy year earning only 1/24 of the premium.
- D. Under the monthly pro rata method, the policy year is divided into forty-eight equal parts, with the first month and the last month of the policy year earning only 1/48 of the premium.

Correct Answer: C

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