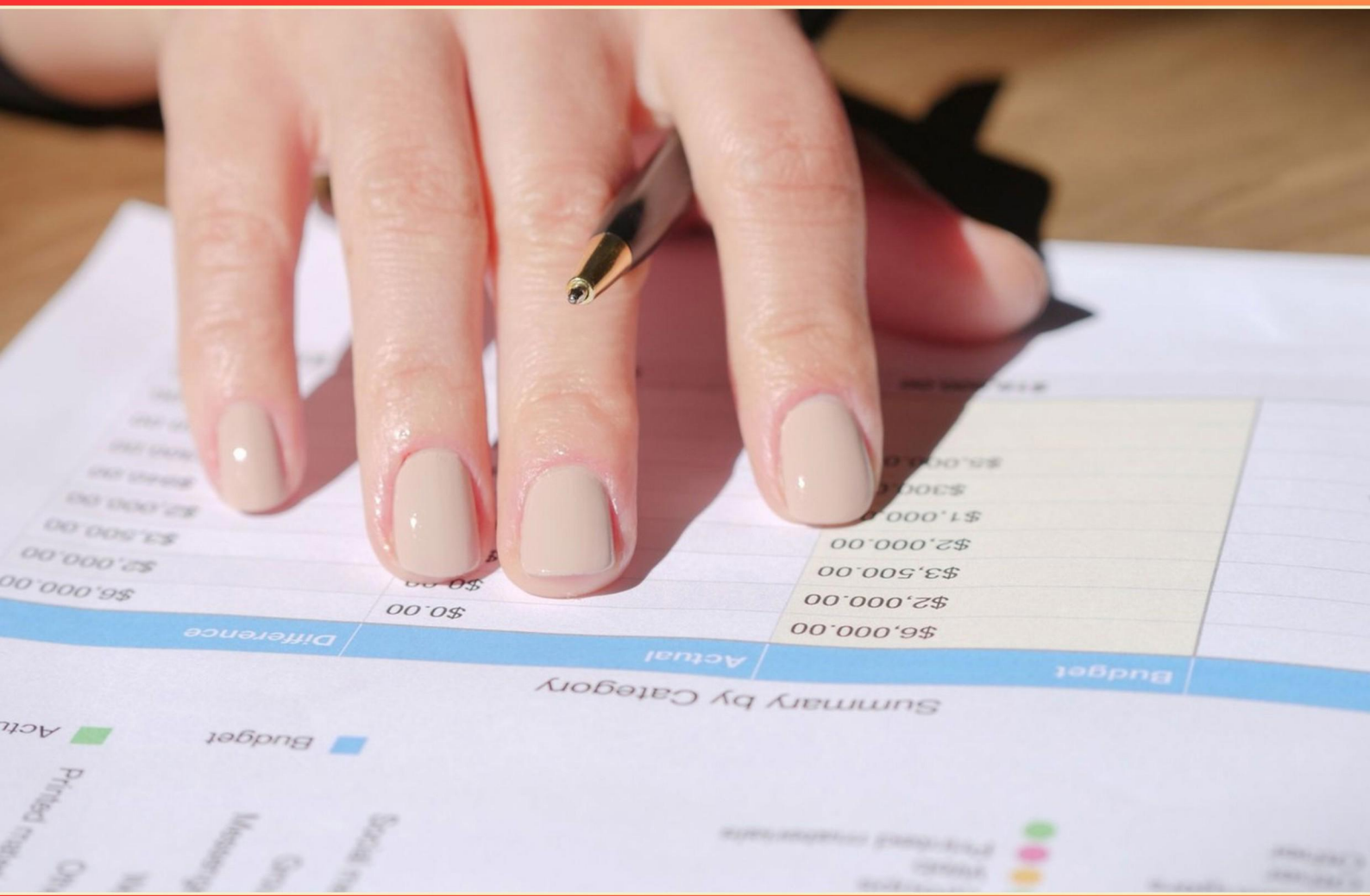
ACFE ACCOUNTING TERMS PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://acfeaccountingterms.examzify.com

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. The term used to describe the practice of keeping confidential information confidential learned during employment?

A. Trade Secrets Covenant

B. Confidentiality Agreement

C. Non-Disclosure Agreement

D. Secrecy Pact

2. Which ratio directly measures the proportion of financing that comes from creditors compared to owners?

A. DEBT-TO-EQUITY RATIO CALCULATION

B. CURRENT RATIO

C. LIQUIDITY RATIO

D. RETURN ON EQUITY

3. Which instrument is a check created by a seller that has the buyer's checking account number but no signature?

A. DEMAND DRAFT

B. CERTIFIED CHECK

C. MONEY ORDER

D. TRAVELLER'S CHECK

4. What term is used for documents that verify incurred construction expenses and request reimbursement or payment?

A. Draw Request

B. Current Ratio Calculation

C. Non-Performing Loan

D. Piggybacking to Get Access to an Area

5. What term describes a loan that is in default or near default that the creditor believes will not be collected in full?

A. Non-Performing Loan

B. Draw Request

C. Current Ratio Calculation

D. Program for Safeguarding Proprietary Info

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6. When is a departure from GAAP considered acceptable?

A. Common practice in the industry

B. Substance of transaction is better reflected a different way

C. Immaterial to the financial statements

D. Adherence to GAAP will produce unreasonable results

7. Which term best represents the owners' equity described as Common Stock plus Retained Earnings?

A. Net Income

B. Owners' Equity

C. Assets

D. Liabilities

8. Which set lists the three categories of organizational insiders?

A. EE's, Associates, Affiliates

B. Executives, Managers, Supervisors

C. Vendors, Suppliers, Partners

D. Customers, Clients, Stakeholders

9. When a company buys back its own shares and holds them as treasury stock, how is the number of outstanding shares affected?

A. Outstanding shares decrease; treasury shares are not considered outstanding.

B. Outstanding shares increase equal to treasury stock.

C. Outstanding shares unchanged.

D. Outstanding shares become double.

10. Which term best describes the medical providers category that includes medical practitioners, medical suppliers, and medical institutions?

A. Medical Providers

B. Healthcare Entities

C. Provider Organizations

D. Care Facilities

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Answers

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1. C
2. A
3. A
4. A
5. A
6. B
7. B
8. A
9. A
10. A

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Explanations

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1. The term used to describe the practice of keeping confidential information confidential learned during employment?

A. Trade Secrets Covenant

B. Confidentiality Agreement

C. Non-Disclosure Agreement

D. Secrecy Pact

Non-disclosure agreements establish a formal obligation to keep confidential information learned on the job from being disclosed. The term used for this practice is an NDA, a contract that requires employees to keep certain information secret and restricts how it can be shared, both during employment and often afterward. It defines what counts as confidential information, who may access it, the duration of the obligation, and the remedies if someone breaches it, making the protection enforceable in court. A confidentiality agreement conveys the same idea, but the non-disclosure phrasing is the precise, widely used legal term for this obligation. The other options are less standard in describing the legal duty to not reveal confidential information.

2. Which ratio directly measures the proportion of financing that comes from creditors compared to owners?

A. DEBT-TO-EQUITY RATIO CALCULATION

B. CURRENT RATIO

C. LIQUIDITY RATIO

D. RETURN ON EQUITY

Understanding how a company is financed—how much comes from creditors versus owners—is measured by the debt-to-equity ratio. This ratio compares total liabilities (what the company owes) to shareholders' equity (the owners' investment). It shows how heavily financed the business is with debt relative to owner funding. A higher ratio means more debt financing compared with equity, highlighting leverage and potential risk. For example, if a company has $600,000 in liabilities and $400,000 in equity, the debt-to-equity ratio is 1.5, meaning there is $1.50 of debt for every $1 of equity. This directly reflects the financing mix: more from creditors than from owners. The other options don't capture the financing mix. The current ratio and other liquidity ratios assess short-term ability to meet obligations, not where the funds come from. Return on equity measures profitability generated from equity, not how the business is financed.

3. Which instrument is a check created by a seller that has the buyer's checking account number but no signature?

A. DEMAND DRAFT

B. CERTIFIED CHECK

C. MONEY ORDER

D. TRAVELLER'S CHECK

Demand draft is a payment instrument issued by a bank that orders another bank to pay a specified amount to a recipient. It's created by the seller (the issuing bank) for the buyer, and it often includes the buyer's checking account number to identify the funds source, but it doesn't require the buyer's signature. That bank-guaranteed nature is why a draft can be issued without the buyer signing it. This differs from a certified check, which is a personal check that the bank guarantees and that carries the drawer's signature; a money order, which is prepaid and not tied to a specific checking account and typically involves a purchaser's sign in; and a traveler's check, which is prepaid and requires the purchaser's signature (and countersignature) at use.

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4. What term is used for documents that verify incurred construction expenses and request reimbursement or payment?

A. Draw Request

B. Current Ratio Calculation

C. Non-Performing Loan

D. Piggybacking to Get Access to an Area

In construction financing, funds are released as work progresses through a draw request. This term describes the formal request that accompanies documentation showing incurred construction costs and asks for reimbursement or payment from the lender. A draw request verifies what work has been done and which costs have been incurred, often including invoices, a schedule of values, lien waivers, and other supporting paperwork. The lender uses this information to confirm progress and authorize disbursement, aligning payments with the project's progression. Other options refer to unrelated concepts: a current ratio calculation is a liquidity metric, a non-performing loan is a loan in default, and piggybacking to get access to an area is not related to construction funding.

5. What term describes a loan that is in default or near default that the creditor believes will not be collected in full?

A. Non-Performing Loan

B. Draw Request

C. Current Ratio Calculation

D. Program for Safeguarding Proprietary Info

Understanding loan quality and impairment helps identify the term described here. A loan that is in default or near default and for which the creditor believes full repayment is unlikely is a non-performing loan. This designation signals weak credit quality and prompts the lender to assess impairment and establish an allowance for credit losses, potentially leading to a write-off if collection becomes unlikely. A draw request is simply a request to withdraw funds from a line of credit, not a status of collectibility. The current ratio calculation is a liquidity measure (current assets over current liabilities), not a loan's status. A program for safeguarding proprietary information is unrelated to loan quality.

6. When is a departure from GAAP considered acceptable?

A. Common practice in the industry

B. Substance of transaction is better reflected a different way

C. Immaterial to the financial statements

D. Adherence to GAAP will produce unreasonable results

The main idea being tested is that financial statements should reflect the economic substance of transactions, not just their legal form. A departure from GAAP is allowed when following GAAP would not adequately portray what actually happened, and a different accounting method would present the substance more accurately. When this happens, the alternative method is used with full disclosure of the reason and the effect on the numbers, so users understand the change. This is why the best answer is that the substance of the transaction is better reflected a different way. It captures the essence that the alternative presentation provides a more faithful depiction of economic reality than the standard GAAP treatment in that case, and it comes with the required explanation in the notes. Industry practice alone doesn't justify departing GAAP, immateriality doesn't automatically permit it, and following GAAP because it would produce unreasonable results isn't a general justification without disclosure or a permitted GAAP alternative.

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7. Which term best represents the owners' equity described as Common Stock plus Retained Earnings?

A. Net Income

B. Owners' Equity

C. Assets

D. Liabilities

Owners' equity is the residual claim of the owners on the company's assets after liabilities are deducted. It is typically shown on the balance sheet as the sum of contributed capital and earnings kept in the business, which are represented here by Common Stock and Retained Earnings. Common Stock shows the capital invested by owners, while Retained Earnings accumulate profits kept in the company. Together, they constitute the total owners' equity. Net income affects Retained Earnings but is not itself the total equity; assets and liabilities are separate sections of the balance sheet and do not represent owners' equity.

8. Which set lists the three categories of organizational insiders?

A. EE's, Associates, Affiliates

B. Executives, Managers, Supervisors

C. Vendors, Suppliers, Partners

D. Customers, Clients, Stakeholders

Understanding who counts as insiders within an organization is about identifying people who have legitimate access to assets, records, or systems. The three categories used are employees, associates, and affiliates. Employees are the workforce with routine access to the company's resources. Associates include non-employees who are closely connected to the organization—such as contractors, consultants, or temporary staff—who can still access systems or information. Affiliates are those linked to the organization through business relationships or ownership, like subsidiaries or key partners, who may have access or influence as well. Together, these groups cover the main people with a closer connection to the company than external parties. The other options mix internal roles or external parties and don't capture the full insider set described.

9. When a company buys back its own shares and holds them as treasury stock, how is the number of outstanding shares affected?

A. Outstanding shares decrease; treasury shares are not considered outstanding.

B. Outstanding shares increase equal to treasury stock.

C. Outstanding shares unchanged.

D. Outstanding shares become double.

When a company buys back its own shares and holds them as treasury stock, those shares are no longer outstanding. Outstanding shares are the shares currently held by investors and available for trading in the market. Shares held by the company as treasury stock are not circulating, so they aren't counted as outstanding. For example, if 1,000,000 shares were issued and 150,000 are held as treasury stock, the outstanding shares would be 850,000. Treasury stock typically has no voting rights and does not receive dividends while held by the company, reinforcing why they aren't considered outstanding.

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10. Which term best describes the medical providers category that includes medical practitioners, medical suppliers, and medical institutions?

A. Medical Providers

B. Healthcare Entities

C. Provider Organizations

D. Care Facilities

This question focuses on naming the broad group that includes those who deliver care, supply the goods and services to support care, and host care facilities. The term that best covers all three areas—medical practitioners who treat patients, medical suppliers who provide equipment and materials, and medical institutions such as hospitals and clinics that organize and deliver care—is "medical providers." It serves as a single umbrella label for anyone actively involved in delivering or enabling medical care, across both individuals and organizations. Other terms would narrow the scope. "Healthcare entities" can be broader than care delivery, sometimes including insurers or regulatory bodies. "Provider organizations" tends to refer to groups of providers rather than the full spectrum that includes suppliers and facilities. "Care facilities" emphasizes the physical locations where care occurs, not necessarily the people and suppliers that support care. Thus, medical providers best captures the inclusive group described.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://acfeaccountingterms.examzify.com

We wish you the very best on your exam journey. You've got this!

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