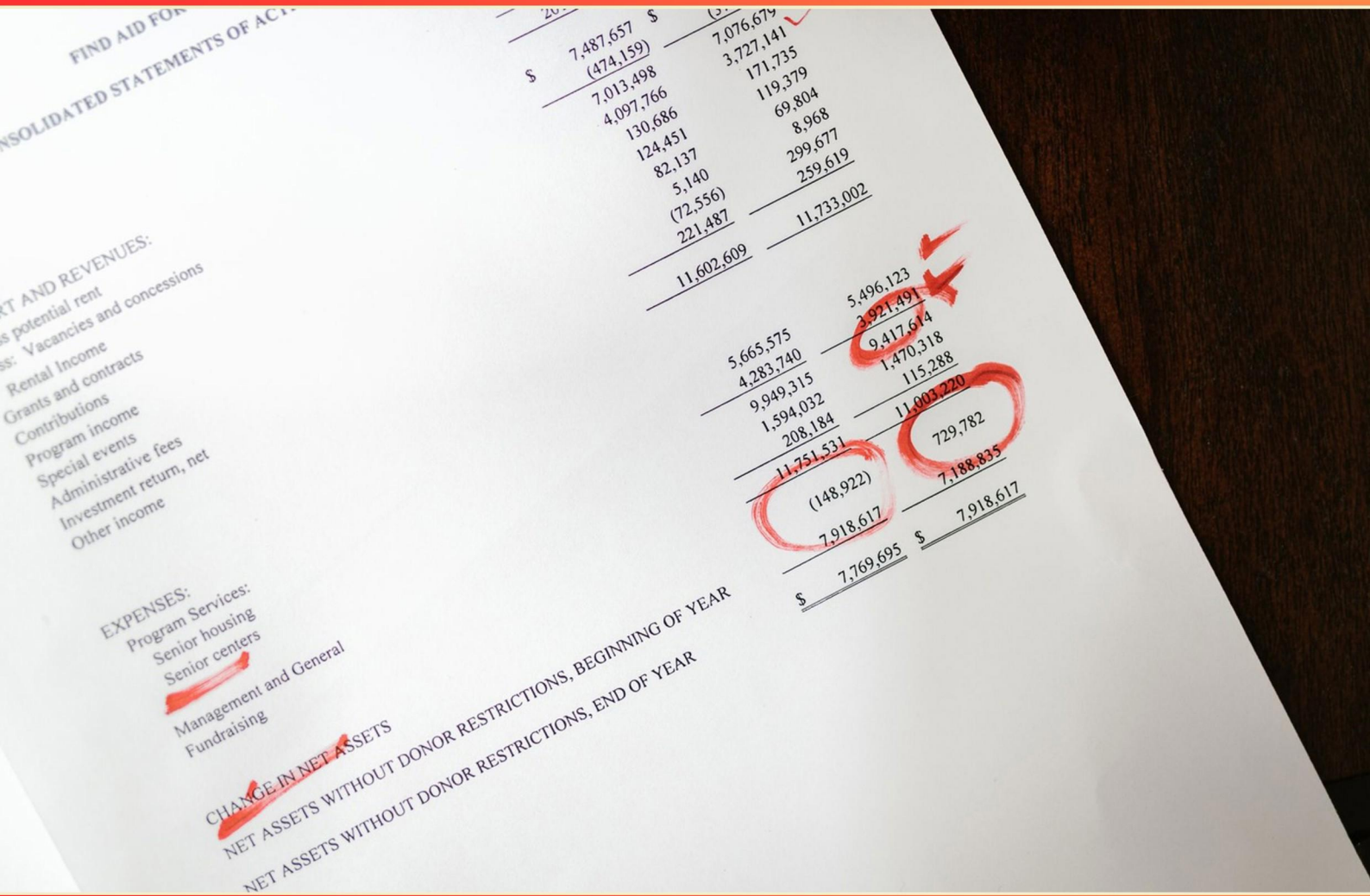
ACFE CERTIFIED FRAUD EXAMINER (CFE) FINANCIAL TRANSACTIONS AND FRAUD SCHEMES PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

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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. **What best describes a pricing strategy where a doctor charges less to private patients than to those under government programs?**

   A. Upcoding

   B. Disparate price

   C. Overutilization

   D. Fictitious claim

2. **How might a change order abuse typically be recognized during a contract period?**

   A. By examining change orders that add unnecessary expenses

   B. By increasing marketing efforts

   C. By decreasing the scope of work in contracts

   D. By finalizing contract audits

3. **Which statement is TRUE regarding gross profit?**

   A. Gross profit is equal to revenues minus operating expenses

   B. Gross profit is equal to net sales minus cost of goods sold

   C. Gross profit is another term for net income

   D. Gross profit is the top line of the income statement

4. **What account is MOST LIKELY debited to balance fictitious revenue entries for non-existent sales?**

   A. Accounts receivable

   B. Accounts payable

   C. Cash

   D. Inventory

5. **What term describes the unaccounted-for reduction in a company's inventory?**

   A. Depreciation

   B. Shrinkage

   C. Defalcation

   D. Theft

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6. What occurs when an employee processes a fictitious refund at their register?

A. The cash register total is balanced

B. Inventory is falsely reported as returned

C. The company experiences a revenue loss

D. The total cash collected increases

7. Which type of malware is often used to generate illicit income through cryptocurrency, slowing down infected computers?

A. Overwrite viruses

B. Coin miners

C. Spyware

D. Keyloggers

8. What accounting principle emphasizes matching revenue and expenses in the same period?

A. Conservatism

B. Consistency

C. Accrual basis accounting

D. Historical cost principle

9. In financial fraud, what broad category do telemarketing schemes fall under?

A. Investment fraud

B. Consumer fraud

C. Cyber fraud

D. Identity fraud

10. Can public disclosures such as company newsletters leak valuable secrets to competitors?

A. True

B. False

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Answers

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

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Explanations

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1. What best describes a pricing strategy where a doctor charges less to private patients than to those under government programs?

A. Upcoding

B. Disparate price

C. Overutilization

D. Fictitious claim

The situation described in the question pertains to a pricing strategy where different prices are charged to different groups of patients, specifically a lower charge for private patients compared to those under government programs. This concept is accurately captured by the term "disparate price," which refers to the practice of setting varying prices for goods or services based on the customer segment or type of payer. In the context of healthcare, this can be a strategic choice made by providers to attract more private patients or to respond to the reimbursement rates set by government programs, which may be lower than what private payers are willing to pay. This pricing discrepancy can lead to significant implications for how services are perceived and accessed by different patient demographics. The other terms mentioned do not accurately describe the situation. Upcoding refers to the fraudulent practice of billing for a more expensive service than was actually provided. Overutilization involves providing more services than necessary, often driven by financial incentives but not linked directly to pricing strategies among patient groups. A fictitious claim suggests that the service billed did not occur at all, which is a different ethical and legal issue. Thus, "disparate price" appropriately encapsulates the practice of varying charges based on the type of patient, highlighting the nuances in healthcare pricing strategies.

2. How might a change order abuse typically be recognized during a contract period?

A. By examining change orders that add unnecessary expenses

B. By increasing marketing efforts

C. By decreasing the scope of work in contracts

D. By finalizing contract audits

Recognizing change order abuse during a contract period often involves a careful examination of the change orders themselves. Change orders that add unnecessary expenses can signal potential fraud or mismanagement. This is because legitimate change orders should correspond to necessary alterations in the scope of work due to unforeseen circumstances or requirements that arise during the project. When change orders consistently introduce additional costs without clear justification or legitimate need, it raises red flags. This careful scrutiny allows for the identification of patterns that suggest abuse, such as recurring changes that appear to inflate costs for the benefit of contractors or vendors rather than for the intended purpose of the project. The other options do not directly address the identification of change order abuse. Increasing marketing efforts does not relate to the oversight of contractual financial dealings, while decreasing the scope of work can sometimes be a legitimate practice rather than an indication of abuse. Finalizing contract audits, while important, typically occurs after a project is completed and may not effectively catch abuse throughout the contract's duration as closely as monitoring change orders does.

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3. Which statement is TRUE regarding gross profit?

A. Gross profit is equal to revenues minus operating expenses

B. Gross profit is equal to net sales minus cost of goods sold

C. Gross profit is another term for net income

D. Gross profit is the top line of the income statement

The correct statement regarding gross profit is that it is equal to net sales minus cost of goods sold. This definition captures the essence of gross profit, which reflects the profitability of a company's core business activities, excluding other expenses and income sources. Gross profit allows businesses to assess how efficiently they are producing their goods and services relative to their sales revenue. Gross profit is calculated before taking into account operating expenses, taxes, or interest, providing insight into how much money remains after the costs directly associated with production are covered. This metric is crucial for evaluating a business's operational efficiency and pricing strategies. In contrast, the other statements lack accuracy regarding the definition or positioning of gross profit within financial reporting. For example, equating gross profit with operating expenses or net income overlooks the distinct nature of each term and misrepresents how they relate to a company's financial performance. Additionally, describing gross profit as the "top line" of the income statement mistakenly conflates gross profit with total revenues, which are reported above gross profit in the income statement.

4. What account is MOST LIKELY debited to balance fictitious revenue entries for non-existent sales?

A. Accounts receivable

B. Accounts payable

C. Cash

D. Inventory

The account that is most likely debited to balance fictitious revenue entries for non-existent sales is accounts receivable. When a company records fictitious sales, it typically also records an increase in accounts receivable to reflect the anticipated collection from these non-existent customers. This action creates the appearance of legitimate sales and helps inflate revenue figures on the financial statements. By debiting accounts receivable, the fraud perpetrator manipulates the company's financial records to show more sales than actually occurred. This is important in maintaining the illusion of healthy business performance, particularly when viewed by investors, lenders, or auditors. While other accounts might be involved in various transactions, they do not directly relate to the balancing of fictitious revenue. Accounts payable, cash, and inventory do not typically serve the same purpose in the context of recording fake sales, as they either reflect obligations to pay, cash transactions or physical goods rather than the inflating of revenue figures through fictitious sales.

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5. What term describes the unaccounted-for reduction in a company's inventory?

A. Depreciation

B. Shrinkage

C. Defalcation

D. Theft

The term that describes the unaccounted-for reduction in a company's inventory is shrinkage. In the context of inventory management, shrinkage refers to the loss of inventory that can occur due to various factors such as theft, damage, spoilage, or errors in recording inventory levels. It highlights a discrepancy between the recorded inventory and the actual inventory on hand, indicating that some level of loss or mismanagement has occurred. Shrinkage is a common concern for retailers and businesses that hold significant amounts of physical goods, and it can have a direct impact on profitability. While theft may contribute to shrinkage, shrinkage encompasses a broader range of issues beyond just theft, including administrative errors and product deterioration. Therefore, shrinkage is a better term to describe the overall phenomenon of unaccounted inventory reductions.

6. What occurs when an employee processes a fictitious refund at their register?

A. The cash register total is balanced

B. Inventory is falsely reported as returned

C. The company experiences a revenue loss

D. The total cash collected increases

When an employee processes a fictitious refund at their register, the correct outcome is that inventory is falsely reported as returned. This occurs because the transaction creates a record that items were returned, leading to an inflated inventory level. In reality, no products were actually returned to the store. The accounting system would reflect these items as back in stock, which distorts the true inventory counts and can lead to further inaccuracies in stock management and financial reporting. As for the other choices, while a fictitious refund might seem to balance the cash register or make it appear that revenue continues to flow, they do not accurately reflect the fraudulent nature of the refund itself. The fictitious nature of the transaction means that it doesn't lead to a legitimate increase in cash collected or a balanced register. The company also incurs a revenue loss, but the more immediate and direct consequence of processing such a refund is the manipulation of the inventory records. Hence, the primary effect is the false reporting of inventory returns.

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7. Which type of malware is often used to generate illicit income through cryptocurrency, slowing down infected computers?

A. Overwrite viruses

B. Coin miners

C. Spyware

D. Keyloggers

Coin miners are a specific type of malware designed to utilize the processing power of infected computers to mine cryptocurrencies without the owner's knowledge or consent. This process requires significant computation and can result in the affected systems slowing down due to the excessive resource consumption. When coin miners infect a system, they silently execute mining operations, typically aiming to generate cryptocurrency like Bitcoin or Ethereum, which can then be sold for profit by the attacker. This form of malware is particularly harmful as it not only affects the performance of the computer but also poses a risk of increasing electricity costs and potential hardware damage due to continuous high-level usage. In contrast, overwrite viruses focus on corrupting files, and while they can cause significant harm, they do not generate income through cryptocurrency mining. Spyware is designed to collect personal information and monitor user activity without consent, which does not relate to generating illicit income through mining. Keyloggers are used to record keystrokes to capture sensitive data like passwords or credit card numbers, but they do not perform mining tasks that affect system performance.

8. What accounting principle emphasizes matching revenue and expenses in the same period?

A. Conservatism

B. Consistency

C. Accrual basis accounting

D. Historical cost principle

The principle that emphasizes matching revenue and expenses in the same period is accrual basis accounting. This accounting method stipulates that revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of when cash transactions occur. This approach allows for a more accurate picture of a company's financial performance during a specific time period, as it reflects all revenues earned and expenses incurred, giving stakeholders a clearer understanding of operational efficiency. In contrast, the other principles do not focus specifically on the timing of revenue and expense recognition. Conservatism suggests that uncertainties and risks in financial statements should be approached with caution, leading accountants to choose methods that understate rather than overstate financial outcomes. Consistency relates to the use of the same accounting methods from one period to another, ensuring comparability but not inherently addressing the timing of transactions. The historical cost principle states that assets should be recorded at their original purchase cost, which again does not dictate the matching of revenues and expenses in the same period as part of its core intent.

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9. In financial fraud, what broad category do telemarketing schemes fall under?

A. Investment fraud

B. Consumer fraud

C. Cyber fraud

D. Identity fraud

Telemarketing schemes are classified under consumer fraud because they typically target individuals with the intent to deceive them into spending money on products or services that may be misrepresented or non-existent. This type of fraud focuses on fraudulent interactions that entice consumers to purchase or donate based on misleading information often delivered over the phone. Consumer fraud encompasses a wide range of deceptive practices that aim to exploit consumers for financial gain. Telemarketing scams can include tactics such as fake prize notifications, fraudulent investment opportunities, or deceptive sales pitches for products that do not perform as promised. The key aspect that categorizes these schemes as consumer fraud is the direct targeting of individuals with the goal of extracting money under false pretenses. In contrast, investment fraud specifically refers to scams that deceive individuals into making poor investment choices, cyber fraud involves unlawful activities conducted via the internet, and identity fraud relates directly to the stealing of personal information to commit theft or fraud. Thus, while telemarketing schemes can incorporate elements of these other fraud types, they primarily fall under consumer fraud due to their nature of misleading consumers directly in a sales or solicitation context.

10. Can public disclosures such as company newsletters leak valuable secrets to competitors?

A. True

B. False

Public disclosures such as company newsletters can indeed leak valuable secrets to competitors, making the answer true. Companies often use newsletters to communicate updates, achievements, new products, and policies to stakeholders, which can include customers, investors, and employees. While the intent is usually transparency and engagement, these communications can inadvertently reveal sensitive information about business strategies, financial performance, or upcoming projects. Competitors monitoring such disclosures may find insights into a company's operations or future plans that could provide them with a competitive edge. For example, detailed descriptions of new products in a newsletter may allow competitors to adjust their strategies or release similar offerings in advance. Therefore, organizations must be cautious about what information is included in public disclosures to protect their intellectual property and proprietary strategies from being exploited by competitors.

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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:

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

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