CFE ORIENTATION PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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 role do whistleblowers play in fraud risk management?

A. They replace the internal audit function.

B. They are rarely effective.

C. They provide early detection and reporting; fosters a culture of reporting.

D. They only report after a fraud is confirmed.

2. What role does documentation retention play in fraud investigations?

A. It is optional and can be ignored during investigations.

B. It ensures preservation of evidence and compliance with legal requirements.

C. It only applies to digital documents.

D. It delays investigations.

3. What occurred for our ancestors to move from hunter-gatherers to farmers?

A. Domestication (taming of animals) and cultivation (intentionally planting seeds)

B. Migration and trade

C. Industrialization

D. Exploitation of natural resources

4. What is the definition of agriscience?

A. Application of science to agriculture

B. The science of soil and crops

C. The study of agricultural policy

D. The economics of farming

5. Why is avoiding leading questions important in interviews?

A. To preserve objectivity and avoid contaminating the witness's responses; ensures admissibility and reliability.

B. To save time by steering the witness.

C. To elicit a yes/no answer.

D. To speed up interviews by pressuring the witness.

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6. What are suspicious activity reports (SARs) used for in AML contexts?

A. SARs are reports to authorities when suspicious activity is detected.

B. SARs are internal memos for management review.

C. SARs are tax return forms.

D. SARs are casual notes kept by investigators.

7. Distinguish preventive, detective, and corrective controls with examples.

A. Preventive controls deter fraud (for example, separation of duties).

B. Detective controls deter fraud (e.g., separation of duties).

C. Corrective controls deter fraud (e.g., reconciliations).

D. All controls are identical and serve the same purpose.

8. What is fermentation?

A. A method of cooking with high heat

B. A preservation technique using good bacteria

C. A method of freezing foods

D. A process of dehydrating foods

9. What is the key reason dehydration preserves food?

A. Removes water from the food and bacteria needs water to live

B. Dehydration adds salt to kill bacteria

C. Dehydration seals with wax

D. Dehydration cools food to preserve

10. Which statement accurately describes the relationship between tests of controls and substantive procedures?

A. Tests of controls assess effectiveness of controls; substantive procedures test amounts and disclosures directly

B. Substantive procedures assess the effectiveness of controls; tests of controls verify presence of documents

C. Tests of controls check only compliance; substantive procedures check only estimation errors

D. Substantive procedures replace the need for tests of controls if controls exist

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Answers

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

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Explanations

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1. What role do whistleblowers play in fraud risk management?

A. They replace the internal audit function.

B. They are rarely effective.

C. They provide early detection and reporting; fosters a culture of reporting.

D. They only report after a fraud is confirmed.

Whistleblowers act as an early warning system in fraud risk management. They often spot red flags—unusual transactions, policy violations, or improper approvals—before a fraud fully unfolds, prompting timely investigation and intervention. This early reporting helps stop or mitigate losses and reduces the damage fraud can cause. A strong whistleblower program also fosters a culture of openness and accountability, making employees more comfortable raising concerns without fear of retaliation. That culture, along with confidential reporting channels and protection for reporters, improves the organization's ability to detect and respond to fraud, and it can inform ongoing risk assessments, controls, and training. They don't replace the internal audit function; internal audit provides independent assurance and systematic review of controls. Reports from whistleblowers are one input that enhances, not substitutes for, ongoing oversight. They're not rarely effective; when properly supported, whistleblower programs produce valuable information that leads to quicker action and control improvements. And they aren't limited to reporting after fraud is confirmed; they are most valuable when used to flag suspicious activity early, enabling preventative measures.

2. What role does documentation retention play in fraud investigations?

A. It is optional and can be ignored during investigations.

B. It ensures preservation of evidence and compliance with legal requirements.

C. It only applies to digital documents.

D. It delays investigations.

Documentation retention ensures evidence is preserved and legal requirements are met in fraud investigations. Keeping relevant records—both paper and digital—lets investigators reconstruct what happened, establish a timeline, and show who handled information and when. It also supports admissibility in court and regulatory reviews by providing a verifiable chain of custody and compliance with discovery rules. Formal retention policies and legal holds prevent spoliation, reducing the risk of penalties for destroying evidence and helping meet deadlines and statutory requirements. Since fraud work involves emails, financial records, logs, reports, and metadata, a clear retention plan keeps everything accessible and securely stored for the needed period. Implemented properly, retention supports a timely, credible investigation rather than causing unnecessary delays.

3. What occurred for our ancestors to move from hunter-gatherers to farmers?

A. Domestication (taming of animals) and cultivation (intentionally planting seeds)

B. Migration and trade

C. Industrialization

D. Exploitation of natural resources

The move from hunter-gatherers to farmers centers on domestication and cultivation: people began taming animals and intentionally planting and tending crops. Domestication provided reliable sources of food beyond wild plants and animals, while cultivation let communities plant seeds and harvest crops on a schedule, creating a stable surplus. This surplus supported settled villages, population growth, and the development of specialized roles, rather than a constantly mobile lifestyle. The other options describe important processes in human history but do not by themselves explain why agriculture emerged: moving and trading happened within this broader shift, industrialization comes much later, and simply exploiting resources doesn't capture the deliberate farming practices that define this transition.

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4. What is the definition of agriscience?

A. Application of science to agriculture

B. The science of soil and crops

C. The study of agricultural policy

D. The economics of farming

Agriscience is about applying scientific knowledge to agriculture, using fields like biology, chemistry, physics, and engineering to improve farming and food systems. This broad view covers everything from soil health and crop production to animal science, post-harvest technology, and sustainable farming practices. The statement that fits best captures this wide, practical use of science in agriculture. The other options describe important areas within the field—soil and crop science, agricultural policy, and farming economics—but they don't convey the overall idea of applying scientific methods across the full range of agricultural activities.

5. Why is avoiding leading questions important in interviews?

A. To preserve objectivity and avoid contaminating the witness's responses; ensures admissibility and reliability.

B. To save time by steering the witness.

C. To elicit a yes/no answer.

D. To speed up interviews by pressuring the witness.

Neutral, non-leading questioning is crucial because it prevents bias from shaping the witness's memory and account. When questions hint at a specific answer, the witness may tailor statements to fit what they think the interviewer expects, contaminating the evidence and reducing reliability. The goal of interviews in investigations is to obtain accurate, detailed, voluntary information that reflects the witness's own observations, not a rehearsed response. Maintaining neutrality helps preserve objectivity, supports the credibility of the testimony, and improves admissibility in investigations or proceedings. Approaches that try to speed things up or push for a quick yes or no can push the witness toward biased or incomplete information, which is why staying neutral is the principled practice.

6. What are suspicious activity reports (SARs) used for in AML contexts?

A. SARs are reports to authorities when suspicious activity is detected.

B. SARs are internal memos for management review.

C. SARs are tax return forms.

D. SARs are casual notes kept by investigators.

Suspicious Activity Reports are formal, legally required notices filed by financial institutions with the appropriate regulatory authority whenever activity suggests possible money laundering, fraud, or terrorist financing. They exist to quickly alert authorities so investigators can assess risk and determine if further action is warranted. A SAR typically includes who was involved, what happened, when and where it occurred, details of the transactions, and why the activity appeared suspicious. These reports are confidential and shared with law enforcement and regulators, not kept as internal memos, tax forms, or casual notes. They help regulators spot patterns, connect ripple effects across accounts, and support risk-based supervision and enforcement.

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7. Distinguish preventive, detective, and corrective controls with examples.

A. Preventive controls deter fraud (for example, separation of duties).

B. Detective controls deter fraud (e.g., separation of duties).

C. Corrective controls deter fraud (e.g., reconciliations).

D. All controls are identical and serve the same purpose.

Preventive controls are meant to stop errors or fraud before they happen. Separation of duties is a classic example because it ensures no single person can both authorize and record a transaction, or otherwise complete all steps, which reduces the opportunity to commit fraud. Detective controls, on the other hand, are designed to uncover problems after they occur. Reconciliations fit here well: by comparing sets of records (like the general ledger, sub-ledgers, and source documents), discrepancies are detected so investigators can take action. Corrective controls come into play once a problem has been found. They focus on fixing the issue and making improvements to prevent recurrence—examples include restoring data from backups, correcting erroneous entries, and updating procedures or access rules based on what was learned. So, separation of duties illustrates a preventive control, reconciliations illustrate a detective control, and corrective actions address issues after detection and aim to prevent future problems.

8. What is fermentation?

A. A method of cooking with high heat

B. A preservation technique using good bacteria

C. A method of freezing foods

D. A process of dehydrating foods

Fermentation is the controlled activity of microorganisms—bacteria, yeast, or molds—that transform food by converting sugars into other compounds, such as lactic acid or alcohol. This transformation helps preserve the food and often develops distinct flavors and textures. It's described as a preservation technique using good bacteria because these microbes inhibit spoilage and create a safer, longer-lasting product. It isn't about cooking with high heat, freezing, or dehydrating, which preserve or alter foods through temperature changes or moisture removal rather than microbial action.

9. What is the key reason dehydration preserves food?

A. Removes water from the food and bacteria needs water to live

B. Dehydration adds salt to kill bacteria

C. Dehydration seals with wax

D. Dehydration cools food to preserve

The key idea is that dehydration preserves food by removing water, which drops the water activity available to microbes. Bacteria, yeasts, and molds need water to carry out their metabolic processes, so when most of the water is removed, their growth and spoilage activities slow dramatically or stop. Drying lowers the amount of free water enough that microbes can't multiply, which is the main reason food lasts longer. The other statements don't describe how dehydration works: simply adding salt isn't what dehydration does, sealing with wax isn't the mechanism, and cooling isn't part of the drying process.

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10. Which statement accurately describes the relationship between tests of controls and substantive procedures?

A. Tests of controls assess effectiveness of controls; substantive procedures test amounts and disclosures directly

B. Substantive procedures assess the effectiveness of controls; tests of controls verify presence of documents

C. Tests of controls check only compliance; substantive procedures check only estimation errors

D. Substantive procedures replace the need for tests of controls if controls exist

Tests of controls evaluate how well the internal control system is working, while substantive procedures directly test the amounts and disclosures in the financial statements. The purpose of tests of controls is to determine whether controls, as designed and operated, can be relied upon to prevent or detect material misstatements. Substantive procedures then gather evidence about the actual monetary amounts and reporting, independent of the controls, to support the financial statement assertions. When controls are effective, the auditor may reduce the extent of substantive testing; when controls are weak, more substantive procedures are required. The other statements misstate this relationship: substantive procedures do not assess the effectiveness of controls, tests of controls aren't merely about verifying the presence of documents, and substantive procedures do not replace tests of controls even if controls exist.

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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://cfeorientation.examzify.com

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

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