

# ACFE Accounting Terms Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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.

# 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!**

## Questions

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- 1. What term describes transforming readable data into an unreadable form to protect information?**
  - A. Current Ratio Calculation**
  - B. Encryption**
  - C. Draw Request**
  - D. Non-Performing Loan**
  
- 2. Which term describes a program or measure intended to safeguard proprietary information by preventing unauthorized access?**
  - A. Bid Specifications**
  - B. Program for Safeguarding Proprietary Info**
  - C. Encryption**
  - D. Draw Request**
  
- 3. Calculate the Quick Ratio given Cash = 20, Marketable Securities = 15, Receivables = 40, Current Liabilities = 50. Which of the following is correct?**
  - A. 1.0**
  - B. 1.5**
  - C. 2.0**
  - D. 2.5**
  
- 4. What does GAAP stand for in accounting?**
  - A. GOVERNMENTAL ACCOUNTING PRINCIPLES**
  - B. GENERAL ACCOUNTING PRINCIPLES**
  - C. GENERALLY ACCEPTED AUDIT PRINCIPLES**
  - D. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
  
- 5. What term describes billing for a higher level of medical service than the actual service rendered?**
  - A. UPCHARGING**
  - B. UPCODING**
  - C. OVERBILLING**
  - D. FRAUD**

- 6. 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**
- 7. What term describes software or hardware that monitors and records keystrokes on a computer?**
- A. Keyloggers**
  - B. Key Trackers**
  - C. Screen Capture Software**
  - D. Password Monitors**
- 8. Obligations of an entity or outsiders' claims against the entity's assets are called what?**
- A. LIABILITIES**
  - B. ASSETS**
  - C. EQUITY**
  - D. REVENUE**
- 9. What term means real-time observation of a target's actions or communications?**
- A. MONITORING**
  - B. INTERROGATION**
  - C. PHYSICAL SURVEILLANCE**
  - D. ELECTRONIC SURVEILLANCE**
- 10. During which phase are bids evaluated, negotiations held, revisions invited, and a winning bid selected?**
- A. Post-Award/Administration phase**
  - B. Contract**
  - C. Penetration Test**
  - D. Bid Evaluation and Award phase**

## Answers

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

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## **Explanations**

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**1. What term describes transforming readable data into an unreadable form to protect information?**

**A. Current Ratio Calculation**

**B. Encryption**

**C. Draw Request**

**D. Non-Performing Loan**

The main idea here is protecting information by turning readable data into an unreadable form. This process is called encryption. It uses a mathematical algorithm to convert plaintext into ciphertext, which looks like garbled data to anyone who doesn't have the right key. With the correct key, the original readable data can be restored through decryption. Encryption is essential for keeping information confidential during storage and transmission, such as when you send emails, browse the web, or store sensitive files. Understanding the other terms helps see why encryption fits best. A current ratio calculation is a liquidity metric used in financial analysis, not about securing information. A draw request is a formal request for funds or goods, again unrelated to data protection. A non-performing loan describes a loan that isn't being repaid as agreed, which is a banking/credit concept rather than a data-security concept.

**2. Which term describes a program or measure intended to safeguard proprietary information by preventing unauthorized access?**

**A. Bid Specifications**

**B. Program for Safeguarding Proprietary Info**

**C. Encryption**

**D. Draw Request**

Protecting proprietary information by preventing unauthorized access is achieved through a formal program or policy that outlines the controls, procedures, and governance used to safeguard data. The term that best matches this description is the overall Program for Safeguarding Proprietary Info, because it denotes a structured set of measures rather than a single tool. Encryption, though an important protective technique, is just one method used within such programs, not the program itself. The other options refer to unrelated concepts and do not describe a protective framework.

**3. Calculate the Quick Ratio given Cash = 20, Marketable Securities = 15, Receivables = 40, Current Liabilities = 50. Which of the following is correct?**

**A. 1.0**

**B. 1.5**

**C. 2.0**

**D. 2.5**

The Quick Ratio assesses short-term liquidity using only the most liquid assets. It equals (cash + marketable securities + receivables) divided by current liabilities, excluding inventory and other less liquid current assets. Here, the liquid assets sum to  $20 + 15 + 40 = 75$ , and current liabilities are 50. So the Quick Ratio is  $75 / 50 = 1.5$ . This means the company has 1.5 times its current liabilities covered by quick assets, indicating solid near-term liquidity.

**4. What does GAAP stand for in accounting?**

- A. GOVERNMENTAL ACCOUNTING PRINCIPLES**
- B. GENERAL ACCOUNTING PRINCIPLES**
- C. GENERALLY ACCEPTED AUDIT PRINCIPLES**
- D. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

GAAP stands for Generally Accepted Accounting Principles. It's the framework of rules and conventions used to prepare, recognize, measure, present, and disclose financial information in the United States, aimed at making financial statements consistent and comparable across entities. The standards are established primarily by the Financial Accounting Standards Board, and they apply to financial reporting for most non-governmental entities and publicly traded companies; governments follow different standards set by GASB, and auditing has its own set of standards (GAAS) separate from GAAP. The wording "General" or "Audit" principles doesn't fit GAAP, and the governmental variant would refer to government-specific standards, not GAAP.

**5. What term describes billing for a higher level of medical service than the actual service rendered?**

- A. UPCHARGING**
- B. UPCODING**
- C. OVERBILLING**
- D. FRAUD**

Upcoding is billing for a higher level of medical service than what was actually provided. This happens when a provider uses a more complex CPT code to obtain a larger payment than warranted by the services performed, often tied to the idea that higher codes indicate more time, effort, or complexity. Codes are assigned based on the level of service, and higher codes come with higher reimbursement; selecting a higher code than justified inflates the charge. This term is the precise description of the practice in medical billing. The other terms don't fit as well: upcharging isn't the standard term for this specific billing action, overbilling is a general term for charging more than is owed without specifying the mechanism, and fraud is the broader illegal category that can include upcoding but refers to the wrongdoing itself rather than the specific act.

**6. 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.

**7. What term describes software or hardware that monitors and records keystrokes on a computer?**

- A. Keyloggers**
- B. Key Trackers**
- C. Screen Capture Software**
- D. Password Monitors**

Keylogging is the practice of recording every keystroke made on a keyboard. A software program or hardware device that secretly does this is called a keylogger. This distinguishes it from screen capture tools, which record what appears on the screen rather than the actual keys pressed, and from terms like "password monitors," which aren't standard names for capturing keystrokes. Keyloggers can be used for legitimate purposes like security auditing or parental control, or for malicious activity, since the defining feature is the recording of keystrokes.

**8. Obligations of an entity or outsiders' claims against the entity's assets are called what?**

- A. LIABILITIES**
- B. ASSETS**
- C. EQUITY**
- D. REVENUE**

Liabilities are obligations of the entity to transfer assets or provide services to outsiders. They arise from past events and require a future outflow of resources, creating a claim by creditors against the entity's assets. Examples include accounts payable, notes payable, accrued expenses, and bonds payable. This concept is distinct from assets (resources the entity owns), equity (the owners' residual interest after liabilities), and revenue (inflows from operating activities). The term that fits the description is liabilities.

**9. What term means real-time observation of a target's actions or communications?**

- A. MONITORING**
- B. INTERROGATION**
- C. PHYSICAL SURVEILLANCE**
- D. ELECTRONIC SURVEILLANCE**

Real-time observation of a target's actions means watching what they do as it happens, often in the field. That live, in-person monitoring is the essence of physical surveillance. It focuses on following a person and noting movements, behaviors, and interactions as events unfold. Monitoring is broader and can be ongoing or passive, not necessarily in real time or in person. Interrogation centers on asking questions to obtain information, not on observing actions as they occur. Electronic surveillance targets communications or data through electronic means, not the live, physical observations of a subject.

**10. During which phase are bids evaluated, negotiations held, revisions invited, and a winning bid selected?**

- A. Post-Award/Administration phase**
- B. Contract**
- C. Penetration Test**
- D. Bid Evaluation and Award phase**

This question is about the stage of procurement where you compare bids, negotiate terms, may ask for revisions, and finally pick a winner. In the Bid Evaluation and Award phase, the received bids are assessed against criteria like compliance, capability, and price. Negotiations can occur to clarify terms or improve proposals, revisions may be invited, and after evaluation, a winning bid is selected and the award is made. The other phases don't fit this process. Post-Award/Administration focuses on managing and monitoring the contract after award, not on selecting a bid. The Contract phase is about finalizing and signing the contract terms. A Penetration Test is unrelated to procurement and bidding.

## 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](mailto: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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