

ACFE Certified Fraud Examiner (CFE) 1 Practice Exam (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 skills are essential for a fraud-fighting professional?**
 - A. Technical skills, negotiation skills, and analytical skills**
 - B. Analytical skills, communication skills, and technological skills**
 - C. Management skills, interpersonal skills, and analytical skills**
 - D. Financial skills, investigative skills, and communication skills**

- 2. What can companies do to mitigate fraud opportunities?**
 - A. Ignore complaints from employees.**
 - B. Implement preventative and detective controls.**
 - C. Increase workloads for staff.**
 - D. Limit access to financial records.**

- 3. What ethical considerations must CFE professionals adhere to?**
 - A. Profitability and Transparency**
 - B. Integrity, objectivity, and confidentiality**
 - C. Efficiency and Reliability**
 - D. Accountability and Fairness**

- 4. What attitude do victims of fraud commonly exhibit towards reporting the crime?**
 - A. They are eager to report it**
 - B. They are indifferent**
 - C. They feel embarrassed and often hesitate to report**
 - D. They are primarily concerned with regulatory implications**

- 5. Why is fraud still committed even when controls are established?**
 - A. Controls are ineffective and costly**
 - B. They are not being properly followed**
 - C. Management does not support the controls**
 - D. Employees are unaware of the controls**

- 6. What was a significant finding in the fraud study comparing fraud perpetrators to others?**
- A. Fraud perpetrators are more likely to be caught**
 - B. Fraud perpetrators are often younger and less educated**
 - C. Fraud perpetrators were less likely to be arrested and convicted**
 - D. Fraud perpetrators are generally high-risk individuals**
- 7. Which of the following best describes the role of the ACFE?**
- A. To provide legal representation for fraud victims**
 - B. To conduct comprehensive studies on fraud**
 - C. To regulate financial practices across industries**
 - D. To offer financial compensation to fraud victims**
- 8. In fraud examinations, which aspect is essential for establishing motive?**
- A. Employee demographics**
 - B. Previous disciplinary actions**
 - C. Financial pressures or personal issues**
 - D. Job performance evaluations**
- 9. Which of the following practices can help organizations reduce the risk of fraud?**
- A. Limiting oversight of financial activities**
 - B. Implementing strong internal controls**
 - C. Encouraging employee autonomy**
 - D. Reducing communication among departments**
- 10. What is the purpose of a fraud risk assessment?**
- A. To punish employees engaged in fraudulent activities**
 - B. To identify and evaluate potential fraud risks within an organization**
 - C. To conduct employee performance reviews**
 - D. To create an external audit schedule**

Answers

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

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Explanations

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1. What skills are essential for a fraud-fighting professional?

- A. Technical skills, negotiation skills, and analytical skills
- B. Analytical skills, communication skills, and technological skills**
- C. Management skills, interpersonal skills, and analytical skills
- D. Financial skills, investigative skills, and communication skills

The selection of analytical skills, communication skills, and technological skills as essential for a fraud-fighting professional is particularly insightful because each of these skills directly contributes to effectively detecting and investigating fraud. Analytical skills are crucial as they enable professionals to assess complex data, identify patterns, and recognize anomalies that may suggest fraudulent activity. This involves critical thinking and the ability to interpret financial records, transaction flows, and other relevant data inputs that are indicative of potential fraud. Communication skills are equally important because fraud-fighting professionals must often convey findings to various stakeholders, including management, legal authorities, and law enforcement. Strong communication skills ensure that reports and presentations are clear, concise, and persuasive, facilitating understanding and action based on the identified fraud risks or incidents. Technological skills have become increasingly essential as businesses and fraudsters alike leverage technology. Professionals need to be adept with data analysis tools, forensic accounting software, and cybersecurity measures to analyze data effectively and protect against sophisticated fraud schemes. This proficiency allows fraud examiners to utilize technology to enhance their investigative capabilities and improve fraud detection measures. While technical, negotiation, management, and interpersonal skills can all be beneficial in various contexts, the combination of analytical, communication, and technological skills directly addresses the core activities involved in fraud examination and provides

2. What can companies do to mitigate fraud opportunities?

- A. Ignore complaints from employees.
- B. Implement preventative and detective controls.**
- C. Increase workloads for staff.
- D. Limit access to financial records.

Implementing preventative and detective controls is a fundamental strategy for mitigating fraud opportunities within a company. Preventative controls aim to stop fraud before it occurs by establishing policies, procedures, and checks that deter potential fraudsters from attempting to commit fraud in the first place. Examples of preventative controls include segregation of duties, employee training on ethical behavior, and background checks during the hiring process. Detective controls, on the other hand, are designed to identify and uncover fraudulent activities after they occur. This could include regular audits, transaction monitoring, and whistleblower hotlines where employees can report suspicious activities anonymously. By having both layers of controls in place, companies create an environment that not only discourages fraudulent behavior but also enables swift action in response to signs of fraud, thereby protecting company assets and enhancing overall integrity. The other strategies mentioned, such as ignoring complaints from employees, increasing workloads for staff, and limiting access to financial records, do not effectively address the root causes of fraud nor promote a culture of transparency and accountability, which are critical for reducing fraud risks in an organization.

3. What ethical considerations must CFE professionals adhere to?

- A. Profitability and Transparency**
- B. Integrity, objectivity, and confidentiality**
- C. Efficiency and Reliability**
- D. Accountability and Fairness**

CFE professionals, or Certified Fraud Examiners, are held to high ethical standards that are essential for maintaining the integrity of the profession. The core ethical principles include integrity, objectivity, and confidentiality. Integrity emphasizes the importance of being honest and having strong moral principles. It ensures that CFEs act in a trustworthy manner, contributing to the credibility of their findings and opinions. Objectivity involves maintaining impartiality and avoiding conflicts of interest, allowing CFEs to provide unbiased assessments in their investigations. Lastly, confidentiality is crucial as CFEs often handle sensitive information during their work. Protecting this information fosters trust and ensures that client or organizational secrets are kept secure. These principles form the foundation of a CFE's conduct, ultimately serving to uphold the reputation of the profession and promote ethical behavior in fraud examination. Adhering to these ethical considerations helps ensure that CFEs can perform their roles effectively while maintaining the trust of the public and the entities they serve.

4. What attitude do victims of fraud commonly exhibit towards reporting the crime?

- A. They are eager to report it**
- B. They are indifferent**
- C. They feel embarrassed and often hesitate to report**
- D. They are primarily concerned with regulatory implications**

Victims of fraud often experience feelings of embarrassment and shame, leading to a reluctance to report the crime. This emotional response is understandable, as they may perceive themselves as having allowed the fraud to happen, feeling naïve or foolish. The fear of judgment from others, including friends, family, or even authorities, can further exacerbate this hesitation. Additionally, victims might be concerned about the implications of reporting the crime, such as the potential for negative repercussions on their personal or professional lives. This psychological barrier can significantly impede the timely reporting of fraudulent activities, making it essential for support systems to encourage victims to come forward without fear of stigma. Understanding this emotional landscape emphasizes the importance of creating a supportive environment for victims, which may ultimately lead to increased reporting of such crimes and, consequently, better detection and prevention measures within organizations. This context highlights why the other attitudes, such as eagerness or indifference towards reporting, are less characteristic of victims facing the aftermath of fraud.

5. Why is fraud still committed even when controls are established?

- A. Controls are ineffective and costly**
- B. They are not being properly followed**
- C. Management does not support the controls**
- D. Employees are unaware of the controls**

Fraud can still occur even in the presence of established controls because those controls may not be properly followed. Effective controls are designed to deter, detect, and prevent fraudulent activity, but their effectiveness largely depends on adherence to the established procedures and policies. If employees do not consistently comply with these controls—whether due to negligence, lack of training, or intentional disregard—then the risks remain, making it possible for fraud to be perpetrated. Moreover, the failure to properly follow controls can lead to gaps in oversight that individuals can exploit. Training, communication, and monitoring are crucial in ensuring that employees understand the importance of these controls and consistently adhere to them. If there is a breakdown in adherence, the controls lose their effectiveness, allowing opportunities for fraud to emerge. The presence of established controls alone does not guarantee protection against fraud; the organizational culture and commitment to compliance play significant roles in their efficacy.

6. What was a significant finding in the fraud study comparing fraud perpetrators to others?

- A. Fraud perpetrators are more likely to be caught**
- B. Fraud perpetrators are often younger and less educated**
- C. Fraud perpetrators were less likely to be arrested and convicted**
- D. Fraud perpetrators are generally high-risk individuals**

Fraud studies have revealed that fraud perpetrators tend to face lower levels of arrest and conviction compared to individuals involved in other types of crime. This finding reflects various factors, including the often complex nature of fraud, which can make detection challenging. Many fraud cases might not be reported, or law enforcement may prioritize other types of crimes due to perceived severity or immediate impact on victims. Additionally, frauds may be committed in corporate settings where the perpetrator can leverage their position or knowledge to evade scrutiny. As a result, even when fraud is detected, it may not always lead to criminal prosecution, allowing many fraudsters to escape legal consequences more often than individuals committing other offenses. This context helps to underscore the unique challenges in addressing fraud and highlights why there may be an apparent discrepancy in the arrest and conviction rates for fraud-related crimes compared to other types of criminal activity.

7. Which of the following best describes the role of the ACFE?

- A. To provide legal representation for fraud victims**
- B. To conduct comprehensive studies on fraud**
- C. To regulate financial practices across industries**
- D. To offer financial compensation to fraud victims**

The role of the ACFE, or Association of Certified Fraud Examiners, primarily involves conducting comprehensive studies on fraud, which includes developing resources, training materials, and research aimed at understanding the nature, impact, and prevention of fraud. This is a crucial aspect of the organization's mission to equip fraud examiners and professionals with the knowledge and tools necessary to detect and prevent fraud in various contexts. Conducting studies on fraud allows the ACFE to gather data, analyze trends, and disseminate findings to its members and the broader community, which enhances the overall understanding of fraud and aids in developing more effective prevention strategies. This research aspect is pivotal to the ACFE's goal of promoting high standards in the field of fraud examination. The other choices do not accurately reflect the primary focus of the ACFE. The organization does not provide legal representation or financial compensation for victims of fraud, nor does it serve as a regulatory body for financial practices across industries. Instead, it focuses on fostering education, research, and professional development related to fraud examination and prevention.

8. In fraud examinations, which aspect is essential for establishing motive?

- A. Employee demographics**
- B. Previous disciplinary actions**
- C. Financial pressures or personal issues**
- D. Job performance evaluations**

Establishing motive in fraud examinations is crucial because understanding why an individual may commit fraudulent acts provides insight into their behavior and intentions. Financial pressures or personal issues often drive individuals to commit fraud, as they may feel compelled to improve their financial situation or escape certain difficulties. This understanding is particularly relevant, as fraudsters might act out of desperation due to debts, addiction, or family issues. While employee demographics, previous disciplinary actions, and job performance evaluations can provide context about an individual's background and potential risk factors, they do not directly address the underlying reasons that could lead to fraud. Only financial pressures or personal issues pinpoint the driving forces behind the decision-making process that results in fraudulent behavior, thus making this aspect essential for establishing a motive.

9. Which of the following practices can help organizations reduce the risk of fraud?

- A. Limiting oversight of financial activities**
- B. Implementing strong internal controls**
- C. Encouraging employee autonomy**
- D. Reducing communication among departments**

Implementing strong internal controls is a fundamental practice that significantly reduces the risk of fraud within organizations. Internal controls consist of policies and procedures designed to safeguard assets, ensure accurate financial reporting, and promote compliance with laws and regulations. These controls can include measures such as segregation of duties, regular reconciliations, authorization requirements for transactions, and ongoing monitoring of financial activities. By having strong internal controls in place, organizations effectively create a framework that discourages fraudulent activities. For instance, segregation of duties ensures that no single individual has control over all aspects of a financial transaction, which reduces the opportunity for fraud. Regular auditing and compliance checks further enhance detection and prevention, fostering an environment where integrity is prioritized. Ultimately, the presence of robust internal controls acts as a deterrent to potential fraudsters, signaling that the organization takes the risk seriously and is prepared to manage it effectively.

10. What is the purpose of a fraud risk assessment?

- A. To punish employees engaged in fraudulent activities**
- B. To identify and evaluate potential fraud risks within an organization**
- C. To conduct employee performance reviews**
- D. To create an external audit schedule**

The purpose of a fraud risk assessment is to identify and evaluate potential fraud risks within an organization. This process is essential for establishing a proactive approach to fraud prevention and detection. By assessing the vulnerabilities that may exist in various processes, systems, and controls, organizations can understand where they are most susceptible to fraud. Identifying risks allows management to implement specific controls and mitigate those risks effectively. This is a key aspect of a strong internal control environment and contributes to the overall integrity and efficiency of the organization. A thorough fraud risk assessment helps ensure that resources are allocated appropriately to areas that present greater risks, and it aids in fostering a culture of ethical behavior and compliance within the organization.

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://acfecfe1.examzify.com>

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

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