

ACFE Certified Fraud Examiner (CFE) Financial Transactions and Fraud Schemes Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of 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.

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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 is competitive intelligence used for in legitimate business functions?**
 - A. Marketing strategy development.**
 - B. Assembling accurate data about competitors.**
 - C. Evaluating employee performance.**
 - D. Reducing operational costs.**
- 2. What role do loan covenants play in construction financing?**
 - A. They define penalties for contractor default**
 - B. They are standards that must be adhered to during financing**
 - C. They determine profit-sharing for developers**
 - D. They specify construction timelines and deadlines**
- 3. When a person is deceived into revealing information over the phone, it is known as?**
 - A. A. Replicating**
 - B. B. Spamming**
 - C. C. Social engineering**
 - D. D. None of the above**
- 4. What is a common characteristic of scams committed by skilled fraudsters?**
 - A. They always target known individuals.**
 - B. They use unsolicited calls to find new victims.**
 - C. They carefully develop strategies and select targets.**
 - D. They often operate in groups for collective scams.**
- 5. Which action is considered a form of medical fraud?**
 - A. Billing for authorized medical services**
 - B. Billing for experimental medical devices not approved by authorities**
 - C. Documenting patient visits accurately**
 - D. Providing free samples to patients**

6. Which of the following is NOT classified as a type of expense reimbursement scheme?

- A. Multiple reimbursements**
- B. Ghost expense reports**
- C. Fictitious expenses**
- D. Mischaracterized expenses**

7. What type of corruption scheme is exemplified by someone threatening vendors to hire their business?

- A. Economic extortion scheme**
- B. Kickback scheme**
- C. Illegal gratuity scheme**
- D. Collusion scheme**

8. Which scenario exemplifies the misuse of a noncash asset?

- A. A librarian uses library books for personal research**
- B. An employee takes home office supplies**
- C. An employee uses a company vehicle for personal errands after work**
- D. An employee accesses company emails for personal purposes**

9. In financial fraud examinations, what is considered a significant flag of potential inventory theft?

- A. Excessive documentation**
- B. Increased customer complaints**
- C. Discrepancies between sales and inventory changes**
- D. Lack of employee training**

10. A draw request on a construction loan typically requires all the following EXCEPT:

- A. Expenses from similar contracts**
- B. Inspection reports**
- C. Change orders, if applicable**
- D. Lien releases from subcontractors**

Answers

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

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Explanations

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1. What is competitive intelligence used for in legitimate business functions?

- A. Marketing strategy development.
- B. Assembling accurate data about competitors.**
- C. Evaluating employee performance.
- D. Reducing operational costs.

Competitive intelligence is integral to business functions as it involves gathering and analyzing information about competitors to inform strategic decision-making processes. The correct choice highlights the importance of assembling accurate data about competitors, which encompasses understanding their strengths, weaknesses, market positions, and strategies. This information is crucial for businesses to identify opportunities and threats within their industry, allowing them to position themselves more effectively and create competitive advantages. By understanding the competitive landscape, companies can make informed choices that influence their marketing, product development, and pricing strategies. This process of strategic acquisition and analysis enables businesses to anticipate market trends and respond proactively, ultimately leading to better long-term performance. In contrast, while the other options relate to key business functions, they do not directly pertain to the essence of competitive intelligence. For instance, marketing strategy development is a result of insights gained from competitive intelligence but is not its primary focus. Similarly, evaluating employee performance and reducing operational costs are essential functions but do not utilize competitive intelligence in the same direct manner. They are more internally focused, while competitive intelligence is specifically concerned with external market dynamics and competitor actions.

2. What role do loan covenants play in construction financing?

- A. They define penalties for contractor default
- B. They are standards that must be adhered to during financing**
- C. They determine profit-sharing for developers
- D. They specify construction timelines and deadlines

Loan covenants in construction financing serve as the standards that must be adhered to during the financing period. These covenants are conditions or clauses included in loan agreements that aim to protect the lender's investment by imposing certain obligations on the borrower. They can specify financial metrics that need to be maintained, operational standards, or specific project milestones that must be achieved to ensure progress and mitigate risks. By establishing these parameters, loan covenants help ensure that the borrower remains committed to fulfilling the terms of the financing and managing the project effectively, which is crucial given the high stakes and potential for financial loss in construction projects. This aligns with the overarching goal of both lenders and borrowers, creating a framework that aids in controlling and managing the associated risks throughout the duration of the project. The other options, while they highlight important aspects of construction financing, do not accurately capture the primary role of loan covenants. Penalties for default are often related to loan agreements but are not the defining characteristic of covenants. Profit-sharing pertains more to the financial arrangements between stakeholders rather than the covenants themselves. Construction timelines and deadlines, while critical to project success, are typically part of project management agreements rather than loan covenants directly.

3. When a person is deceived into revealing information over the phone, it is known as?

- A. A. Replicating**
- B. Spamming**
- C. Social engineering**
- D. D. None of the above**

The situation described involves a person being deceived into revealing sensitive information, which aligns perfectly with the definition of social engineering. Social engineering is a manipulation technique that exploits human psychology rather than technological vulnerabilities to obtain confidential information. It often occurs over various communication channels, including phone calls, where perpetrators use tactics like pretexting or impersonation to trick individuals into divulging personal or financial information. This method of deception capitalizes on trust and the innate desire of individuals to help others or to comply with authority figures, making it a common and effective fraud scheme. Understanding social engineering is crucial for both recognizing potential security threats and implementing proper measures to safeguard sensitive information. The other terms mentioned—replicating and spamming—do not describe this scenario where trust is manipulated to extract personal details. Replicating generally refers to copying or reproducing content or actions and is not associated with deceptive communication for acquiring sensitive information. Spamming involves sending unsolicited messages, typically for advertising purposes, and lacks the personal deception aspect essential to social engineering.

4. What is a common characteristic of scams committed by skilled fraudsters?

- A. They always target known individuals.**
- B. They use unsolicited calls to find new victims.**
- C. They carefully develop strategies and select targets.**
- D. They often operate in groups for collective scams.**

Skilled fraudsters are known to meticulously plan their scams, which often includes careful development of strategies and the selection of specific targets. This characteristic is crucial for their success because it allows them to tailor their approaches to the vulnerabilities and behaviors of their intended victims. By selecting targets that are more likely to be susceptible to their schemes, such as individuals with particular financial circumstances or naive consumers, fraudsters can increase their chances of successfully executing the scam. The planning phase may involve researching their targets to gather personal information, assessing the best method for approach, and formulating narratives or personas that resonate with potential victims. This strategic focus on preparation and target selection differentiates skilled fraudsters from opportunistic scammers who may employ less sophisticated tactics. While scams can involve unsolicited calls or involve groups, those traits are not universally characteristic of all skilled fraudsters. Their primary distinguishing factor remains the thoughtful and intentional nature of their fraudulent strategies.

5. Which action is considered a form of medical fraud?

- A. Billing for authorized medical services**
- B. Billing for experimental medical devices not approved by authorities**
- C. Documenting patient visits accurately**
- D. Providing free samples to patients**

Billing for experimental medical devices not approved by authorities constitutes a form of medical fraud because it involves charging for a service or product that has not undergone the necessary regulatory approvals and may not have been proven to be safe or effective. This action poses significant risks not only to patients but also undermines the integrity of the healthcare system. When providers bill for such devices, they are not only breaching ethical standards but also engaging in deceptive practices that can lead to serious legal repercussions. Authorized billing for medical services, accurate documentation of patient visits, and providing free samples to patients are all legitimate practices that serve the interests of both healthcare providers and patients. These practices do not involve deceit or misrepresentation of the services or products being provided. Therefore, they do not fall into the category of fraud, distinguishing them clearly from the billing of unapproved experimental devices.

6. Which of the following is NOT classified as a type of expense reimbursement scheme?

- A. Multiple reimbursements**
- B. Ghost expense reports**
- C. Fictitious expenses**
- D. Mischaracterized expenses**

Expense reimbursement schemes typically involve employees receiving unauthorized payments by misrepresenting their expenses. Multiple reimbursements, fictitious expenses, and mischaracterized expenses all fit this definition, as they involve manipulating the expense reporting process for personal gain. Multiple reimbursements occur when an employee submits the same expense multiple times for reimbursement, effectively collecting more money than they are entitled to. Fictitious expenses involve creating false expenses that did not occur, and mischaracterized expenses occur when an employee mislabels an expense to make it seem eligible for reimbursement. Ghost expense reports, in contrast, refer to a situation where an employee submits reimbursement requests for expenses that do not exist or are not incurred by them. This type of scheme does involve fraud but is structured as a deception that goes beyond simply misrepresenting legitimate expenses. Therefore, it does not categorize as a type of expense reimbursement scheme like the others listed.

7. What type of corruption scheme is exemplified by someone threatening vendors to hire their business?

- A. Economic extortion scheme**
- B. Kickback scheme**
- C. Illegal gratuity scheme**
- D. Collusion scheme**

The scenario described, where someone threatens vendors to hire their business, fits the definition of an economic extortion scheme. In this type of scheme, an individual uses threats or intimidation to compel a vendor or business to act in a way that benefits the extortionist, usually for financial gain. The key element of economic extortion is the use of force or coercion, which directly aligns with the threatening behavior toward the vendors. In contrast, a kickback scheme involves a collusive agreement wherein a vendor is paid a commission or incentive in exchange for business favors, while an illegal gratuity scheme refers to providing something of value to influence behavior in a way that does not involve direct coercion. A collusion scheme generally implies a secret agreement between parties to deceive others or gain an unfair advantage, which does not explicitly involve the threats characteristic of economic extortion. Understanding these nuances clarifies why the correct answer accurately represents the corruption scheme exemplified by the situation described.

8. Which scenario exemplifies the misuse of a noncash asset?

- A. A librarian uses library books for personal research**
- B. An employee takes home office supplies**
- C. An employee uses a company vehicle for personal errands after work**
- D. An employee accesses company emails for personal purposes**

The correct scenario that exemplifies the misuse of a noncash asset is when an employee uses a company vehicle for personal errands after work. This situation demonstrates how a noncash asset, in this case, a vehicle provided by the company, is being used for purposes that are not aligned with the company's interests. The vehicle, which is a valuable resource intended for business operations, is being diverted for personal use, which constitutes a misuse of that asset. Using company assets for personal purposes without permission can lead to increased costs for the company, such as fuel, maintenance, and insurance. It can also create liability issues and create a precedent for misuse among other employees. This situation underscores the importance of proper asset management and the need for employees to adhere strictly to the company's policies regarding the proper use of resources. The other scenarios involve different contexts by either portraying less significant misuses or situations that do not involve noncash assets directly impacting the company's operations. For example, while taking home office supplies may not reflect responsible use, it typically involves consumable items rather than a noncash asset like a vehicle, which has a larger operational significance to the company.

9. In financial fraud examinations, what is considered a significant flag of potential inventory theft?

- A. Excessive documentation**
- B. Increased customer complaints**
- C. Discrepancies between sales and inventory changes**
- D. Lack of employee training**

Discrepancies between sales and inventory changes serve as a critical indicator of potential inventory theft during financial fraud examinations. This occurs because, in a well-functioning system, inventory on hand should correlate closely with the amount of inventory sold. When discrepancies arise, it suggests that there may be items missing from the inventory records without corresponding sales transactions, indicating that theft or misappropriation may have occurred. Such discrepancies may reveal either that inventory is being stolen or concealed, or that sales records are being manipulated to mask the theft. This red flag requires further investigation to determine the reasons behind the inconsistencies, as it could indicate fraudulent activity by employees or even weaknesses in inventory control processes. In contrast, while excessive documentation, increased customer complaints, and lack of employee training might suggest operational issues or employee dissatisfaction, none of these factors directly indicate inventory theft in the same manner as discrepancies between sales and inventory. They may contribute to an overall picture of issues within a company, but they are not as specific or telling regarding the potential for inventory theft.

10. A draw request on a construction loan typically requires all the following EXCEPT:

- A. Expenses from similar contracts**
- B. Inspection reports**
- C. Change orders, if applicable**
- D. Lien releases from subcontractors**

A draw request on a construction loan is a process through which a borrower requests funds from the lender as the construction project progresses. This typically includes various documentation to ensure that the work completed is in line with the loan agreement and that the funds are necessary for ongoing work. The correct answer highlights that expenses from similar contracts are not generally a requirement for a draw request. Instead, the focus is on documentation that directly pertains to the current project, such as inspection reports that validate completed work, change orders that reflect any deviations from the original plan, and lien releases from subcontractors, which help ensure that there are no outstanding claims on the property for unpaid work. Each of these documents serves to protect the lender's investment and confirm that the funds requested are being used appropriately for the specific construction project at hand. In contrast, expenses from similar contracts do not provide relevant or necessary information about the specific project under consideration and, therefore, are not required as part of the draw request process.

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://acfecfefintransfraudschemes.examzify.com>

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

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