

ACFE CERTIFIED FRAUD EXAMINER (CFE) FRAUD PREVENTION AND DETERRENCE 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.

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. How can a company demonstrate it has taken steps to meet compliance requirements?**
 - A. By ignoring employee misconduct
 - B. By having a system in place for periodic evaluation and reporting
 - C. By minimizing training efforts
 - D. By allowing only top-level management involvement in compliance
- 2. According to ACFE standards, what is prohibited regarding statements of opinion about guilt or innocence?**
 - A. Expressing opinions is allowed if evidence suggests guilt
 - B. Opinions about guilt can be shared with clients only
 - C. Fraud examiners are prohibited from expressing such opinions
 - D. It is acceptable if a confession is obtained
- 3. What are auditors required to inform management about regarding illegal acts?**
 - A. Only if they are material to financial statements
 - B. As soon as practicable
 - C. After concluding the audit
 - D. Only if allegations are substantiated
- 4. What might a well-defined risk appetite help an organization prioritize?**
 - A. Employee benefits programs
 - B. Types or sources of fraud
 - C. Cost-cutting measures
 - D. Market expansion strategies
- 5. Which internal control is crucial for deterring fraudsters?**
 - A. Expanding employee benefits
 - B. Reduced opportunity to commit fraud
 - C. Less frequent auditing
 - D. Increasing employee workloads

- 6. Which component reflects a proactive approach to identifying fraud risks within an organization?**
- A. Monitoring employee morale
 - B. Fraud risk assessment procedures
 - C. Limiting access to financial records
 - D. Entering contracts with external vendors
- 7. What is a primary reason for conducting background checks on employees?**
- A. To assure future compliance
 - B. To prevent workplace harassment
 - C. To identify potential financial theft risks
 - D. To ensure they align with company values
- 8. What is one main aspect of ethics as it pertains to personal conduct?**
- A. Financial gain
 - B. Judgments about societal norms
 - C. Adherence to company rules
 - D. Personal feelings
- 9. How does a company's culture impact its vulnerability to fraud?**
- A. Culture has no effect on fraud vulnerability
 - B. It affects decision-making and behavior within and outside the organization
 - C. Culture only matters in financial reporting
 - D. Vulnerability is purely a financial issue
- 10. What belief might a business use to rationalize illegal conduct according to Silk and Vogel?**
- A. Government regulations are necessary
 - B. Regulations are unjustified
 - C. Violations do not affect the business
 - D. Illegal behavior is always prosecuted

Answers

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

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Explanations

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1. How can a company demonstrate it has taken steps to meet compliance requirements?

- A. By ignoring employee misconduct
- B. By having a system in place for periodic evaluation and reporting**
- C. By minimizing training efforts
- D. By allowing only top-level management involvement in compliance

A company can effectively demonstrate that it has taken steps to meet compliance requirements by establishing a system for periodic evaluation and reporting. Such a system showcases a proactive approach to compliance, indicating that the organization regularly assesses its adherence to regulatory standards and internal policies. This involves routine audits and reviews that help identify gaps in compliance, ensuring corrective actions can be implemented swiftly. Through transparent reporting, stakeholders can view the company's commitment to maintaining compliance, thereby enhancing trust and accountability. The other options reflect actions that would not contribute to a robust compliance framework. Ignoring employee misconduct undermines a culture of accountability and may expose the company to legal risks. Minimizing training efforts suggests a lack of investment in educating employees about compliance, which is essential for fostering an ethical workplace. Allowing only top-level management to be involved in compliance can lead to a disconnect with frontline employees, who are often the first to encounter compliance issues. A truly effective compliance program requires participation and awareness throughout the organization, not just from upper management.

2. According to ACFE standards, what is prohibited regarding statements of opinion about guilt or innocence?

- A. Expressing opinions is allowed if evidence suggests guilt
- B. Opinions about guilt can be shared with clients only
- C. Fraud examiners are prohibited from expressing such opinions**
- D. It is acceptable if a confession is obtained

The correct response highlights that fraud examiners must maintain a neutral stance and objectivity in their professional assessments. ACFE standards emphasize the importance of professionalism and ethical conduct in fraud examinations, which includes refraining from making definitive statements about a person's guilt or innocence. This principle is rooted in the belief that everyone is presumed innocent until proven guilty in a court of law, which reinforces the integrity of the examination process and prevents biases from influencing the outcome. By adhering to this standard, fraud examiners help ensure that their findings and conclusions are based on evidence and facts rather than personal beliefs or opinions. This approach not only protects the rights of individuals but also maintains the credibility of the fraud examination profession. It establishes a clear boundary that fraud examiners should remain impartial, focusing solely on the evidence collected rather than making subjective judgments. In contrast, the other provided choices imply conditions under which expressing opinions about guilt might be acceptable, which would compromise the ethical and professional standards expected of fraud examiners. The aim of the standards is to uphold impartiality and rely on evidence rather than conjecture, reinforcing the importance of ethical judgment in the field.

3. What are auditors required to inform management about regarding illegal acts?

- A. Only if they are material to financial statements
- B. As soon as practicable**
- C. After concluding the audit
- D. Only if allegations are substantiated

Auditors are required to inform management about illegal acts as soon as practicable because timely communication is essential in addressing any potential issues effectively. This requirement ensures that management is immediately made aware of any unlawful activities that could have significant implications for the organization or its financial reporting. By doing so, management can take appropriate actions to rectify the situation, implement controls, or make necessary disclosures to stakeholders. The principle behind this requirement is to promote transparency and prompt action, which can help mitigate further risk and potential harm that might arise from the illegal acts. Auditors play a crucial role in the governance structure of an organization and their prompt notification can facilitate corrective measures that might prevent escalation or ongoing risks. In contrast, materiality, timing, and substantiation criteria can lead to delays or omissions in reporting, which ultimately could hinder management's ability to respond effectively to issues that may have serious impacts on the organization's reputation, financial stability, and compliance with laws and regulations.

4. What might a well-defined risk appetite help an organization prioritize?

- A. Employee benefits programs
- B. Types or sources of fraud**
- C. Cost-cutting measures
- D. Market expansion strategies

A well-defined risk appetite is crucial for organizations as it sets the boundaries on the amount and type of risk that the organization is willing to pursue or retain while achieving its objectives. When it comes to prioritizing types or sources of fraud, understanding the organization's risk appetite provides a framework for identifying the potential threats that are significant enough to warrant attention and resources. By clearly defining the risk appetite, the organization can evaluate which types of fraud pose the greatest risks to its assets and operations, allowing it to prioritize those threats. For instance, an organization with a low risk appetite may focus on preventing fraud occurrences that could lead to significant financial losses or reputational damage, while one with a higher risk appetite may take a different approach. This prioritization helps in creating targeted fraud prevention strategies and allocating resources effectively to mitigate risks that align with the organization's risk tolerance and business objectives. In contrast, employee benefits programs, cost-cutting measures, and market expansion strategies do not inherently align with fraud risk prioritization in the same way, as they address different aspects of organizational strategy and operations rather than directly focusing on fraud risk management.

5. Which internal control is crucial for deterring fraudsters?

- A. Expanding employee benefits
- B. Reduced opportunity to commit fraud**
- C. Less frequent auditing
- D. Increasing employee workloads

Reducing the opportunity to commit fraud is indeed a crucial internal control mechanism in deterring fraudsters. This approach recognizes that the likelihood of fraudulent behavior increases when individuals perceive that opportunities to commit fraud exist without adequate oversight. Therefore, implementing measures such as segregation of duties, regular audits, monitoring of transactions, and enforcing access controls can significantly limit the chances for employees to engage in fraudulent activities. By minimizing opportunities, organizations can proactively address vulnerabilities that could be exploited by fraudsters. This control not only discourages potential fraudsters from attempting to commit offenses but also creates a culture of accountability where employees feel observed and deterred from dishonest actions. In contrast, the other options do not directly address the essence of fraud deterrence. For instance, while expanding employee benefits may enhance job satisfaction, it does not prevent fraudulent behavior. Similarly, having less frequent auditing can actually increase potential fraud risk, as it reduces the chances of detecting irregularities in a timely manner. Increasing employee workloads may inadvertently lead to burnout but does not necessarily contribute to fraud prevention or deterrence.

6. Which component reflects a proactive approach to identifying fraud risks within an organization?

- A. Monitoring employee morale
- B. Fraud risk assessment procedures**
- C. Limiting access to financial records
- D. Entering contracts with external vendors

The proactive approach to identifying fraud risks within an organization is best represented by conducting fraud risk assessment procedures. This process involves systematically analyzing the potential risks associated with fraud in various areas of the organization, including evaluating processes, controls, and the environment in which the organization operates. Fraud risk assessments allow organizations to identify vulnerabilities and potential points of fraud before they can be exploited, enabling them to implement specific measures to mitigate those risks. This foresight not only helps in preventing fraud from occurring but also in enhancing overall organizational awareness regarding potential internal and external threats. By proactively assessing these risks, organizations can create a robust framework for fraud prevention. Monitoring employee morale, while important for organizational health, primarily addresses overall workplace satisfaction and may not directly identify specific fraud risks. Limiting access to financial records can be a reaction to fraud risks rather than a proactive identification method. Similarly, entering contracts with external vendors does not inherently involve assessing fraud risks unless specific measures are taken to vet these vendors for reliability and integrity.

7. What is a primary reason for conducting background checks on employees?

- A. To assure future compliance
- B. To prevent workplace harassment
- C. To identify potential financial theft risks**
- D. To ensure they align with company values

Conducting background checks on employees is vital in identifying potential financial theft risks. By reviewing an individual's history, including criminal records, prior employment, and financial behaviors, organizations can uncover any patterns or indicators that may suggest a propensity for dishonest behavior. This proactive measure helps employers mitigate the risk of fraud before it occurs, protecting both their financial assets and maintaining a safe work environment. While the other options touch on important aspects of employee management, they do not directly address the primary focus of background checks in relation to fraud prevention. For example, ensuring alignment with company values is more related to the cultural fit of an employee, and preventing workplace harassment typically involves different procedures that focus on interpersonal behaviors rather than financial assessments. Although future compliance and workplace dynamics are significant considerations for an organization, the core objective of background checks is to fortify the organization against potential financial misconduct.

8. What is one main aspect of ethics as it pertains to personal conduct?

- A. Financial gain
- B. Judgments about societal norms**
- C. Adherence to company rules
- D. Personal feelings

Ethics, particularly in the context of personal conduct, is fundamentally about understanding and making judgments regarding societal norms and values. This involves recognizing the standards that govern behavior within a community and considering how personal actions align with those expectations. When individuals engage in ethical reasoning, they reflect on what is considered right or wrong based on societal norms, rather than merely following financial interests, company policies, or personal emotions. The focus on societal norms highlights the idea that ethical behavior is not just a personal decision; it is intertwined with the expectations and values upheld by the larger community. This reflects a broader understanding of responsibility and the implications that one's actions have on others, which is a core principle in ethical discussions. In contrast, financial gain, adherence to company rules, and personal feelings are more self-centered aspects that may not necessarily align with ethical considerations. Financial interests may lead to decisions that conflict with ethical standards, company rules might sometimes be insufficient to cover ethical dilemmas, and personal feelings can be subjective and unreliable when it comes to determining right from wrong. Thus, the aspect of ethics that emphasizes judgments about societal norms is central to personal conduct as it fosters a more comprehensive and responsible approach to ethical decision-making.

9. How does a company's culture impact its vulnerability to fraud?

- A. Culture has no effect on fraud vulnerability
- B. It affects decision-making and behavior within and outside the organization**
- C. Culture only matters in financial reporting
- D. Vulnerability is purely a financial issue

A company's culture plays a critical role in shaping the environment in which employees operate, influencing their behaviors and decisions. When a strong ethical culture is established, it promotes integrity, accountability, and transparency among employees. This, in turn, reduces the likelihood of fraudulent activities, as individuals are more likely to act in accordance with the organization's values and ethical guidelines. Additionally, the culture sets the tone for how employees perceive reporting mechanisms and the consequences of unethical behavior. In organizations with a supportive culture that encourages the reporting of suspicious activities, employees may feel more empowered to come forward without fear of retaliation, further deterring fraud. Conversely, a culture that tolerates unethical behavior or lacks clear values can lead to an increase in fraud vulnerability. Employees may feel justified in engaging in fraudulent acts if they believe such behaviors are condoned or overlooked by management. Therefore, the impact of culture on decision-making and behavior is vital, as it directly relates to the organization's susceptibility to fraud.

10. What belief might a business use to rationalize illegal conduct according to Silk and Vogel?

- A. Government regulations are necessary
- B. Regulations are unjustified**
- C. Violations do not affect the business
- D. Illegal behavior is always prosecuted

A business may use the belief that regulations are unjustified to rationalize illegal conduct, as presented by Silk and Vogel. This belief can lead individuals within the organization to justify unethical actions by arguing that the regulations impose undue burdens or limitations that hinder business operations or profitability. When a company perceives regulations as unnecessary or overly restrictive, it may feel entitled to bypass compliance in favor of what it considers more beneficial or practical approaches to achieving its objectives. This mindset can foster an environment where illegal practices are seen as acceptable, thereby increasing the risk of fraudulent behavior. The other beliefs do not align with the reasoning provided by Silk and Vogel in the same way. For instance, believing that government regulations are necessary suggests an acknowledgment of the law's importance, while the notion that violations do not affect the business implies a lack of consequences, which doesn't inherently justify illegal behavior. Lastly, the idea that illegal behavior is always prosecuted does not relate to rationalization but rather highlights the external enforcement mechanisms, which do not provide grounds for justifying one's actions.

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://acfecfefraudprevention.examzify.com>

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

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