ACFE CFE-Fraud-Schemes-and-Financial-Crimes Practice Questions

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Question 1

Question Type: MultipleChoice

Every bribe is a two-sided transaction, in which where a vendor bribes a purchaser, there is someone on the vendor's side of the transaction who is not making an illicit payment.

Options:

A- True
B- False

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Answer:

B

Explanation:

Rationale for Correct Answer:

This statement is False. Every bribe involves two willing parties: one who offers and one who accepts the illicit payment. If one party is not making or accepting the payment, the transaction cannot be classified as a bribe.

Analysis of Incorrect Options:

A . True -- Incorrect because both sides are complicit in bribery.

Key Concept:

Bribery requires two-sided participation.

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ACFE Fraud Examiners Manual (2020 International Edition), Corruption --- Bribery Elements.

Question 2

Question Type: MultipleChoice

Which of the following is a TRUE statement about counterfeit payment cards?

Options:

A- The hologram on payment cards is relatively simple to reproduce.
B- The production of counterfeit payment cards is too complicated for the use of high-speed printers.
C- Counterfeit payment cards can be created with blank plastic cards.
D- All of the above are true statements about counterfeit payment cards.

Answer:

C

Explanation:

Rationale for Correct Answer: Blank plastic cards are a common basis for counterfeit

Analysis of Incorrect Options:

A -- False; holograms are designed to be difficult to reproduce.

B -- False; high-speed printers and embossers make counterfeiting easier, not harder.

D -- Incorrect, since A and B are false.

Key Concept: Counterfeit card fraud methods.

Question 3

Question Type: MultipleChoice

In what type of fraud scheme does an employee steal cash after it has appeared on the company's books?

Options:

A- Cash larceny scheme
B- Unrecorded sales (skimming) scheme
C- Kickback scheme
D- Understated sales (skimming) scheme

Answer:

A

Explanation:

Rationale for Correct Answer: Cash larceny is the theft of cash after it has been

Analysis of Incorrect Options:

B & D -- Both describe forms of skimming (unrecorded or understated sales).

C -- Kickback scheme is corruption, not cash theft.

Key Concept: Distinguishing cash larceny (on-book theft) from skimming (off-book theft).

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Question 4

Question Type: MultipleChoice

Which option best would be helpful in detecting a cash larceny scheme?

Options:

A- Having the accounts receivable clerk prepare the bank deposit
B- Prohibiting employees from performing the duties of an absent employee
C- Reconciling cash register totals to the amount of cash in the register drawer
D- Requiring cashiers to perform cash counts of their own cash registers at the end of each shift

Answer:

C

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Explanation:

Rationale for Correct Answer: Cash larceny involves stealing cash after it has been

Analysis of Incorrect Options:

A -- Weakens segregation of duties and increases fraud risk.

B -- Impractical; cross-training is often necessary.

D -- Cashiers counting their own registers weakens independent verification and may conceal theft.

Key Concept: Detecting cash larceny through reconciliation controls.

Question 5

Question Type: MultipleChoice

The principal way to detect omitted credits from books of account is through:

Options:

A- Forced Balance
B- Trend analysis
C- Expense account
D- None of all

Answer:

B

Explanation:

Rationale for Correct Answer:

Trend analysis is one of the most effective ways to detect omitted credits. By analyzing patterns in revenue, expenses, or balances over time, discrepancies such as missing credits become apparent. Forensic examiners rely on comparative financial analysis to identify anomalies that suggest manipulation.

Analysis of Incorrect Options:

A . Forced Balance -- Describes concealment, not detection.

C . Expense account -- Accounts can be manipulated but are not detection methods.

D . None of all -- Incorrect, since trend analysis is correct.

Key Concept:

Analytical procedures (trend analysis) in fraud detection.

ACFE Fraud Examiners Manual (2020 International Edition), Fraud Examination Techniques --- Analytical Procedures.

Question 6

Question Type: MultipleChoice

Henrietta works at XYZ Corporation, managing one of several large facilities. Henrietta conspires with a local contractor who offers highly specialized pest control services for an invasive species of beetle. Henrietta creates false reports of beetle sightings at her facility and presents them to XYZ management, convincing them to procure the services of the local contractor. In exchange for the business, Henrietta receives a sum of money from the contractor. Henrietta is MOST LIKELY engaging in which of the following procurement fraud schemes?

Options:

A- Bid tailoring
B- Need recognition
C- Nonconforming services
D- Bid manipulation

Answer:

B

Explanation:

Henrietta is engaging in a need recognition scheme. Procurement begins when the organization identifies a need for goods or services. In a fraudulent need recognition scheme, an employee creates, exaggerates, or falsely justifies a need so the organization will purchase unnecessary goods or services from a favored vendor. Henrietta fabricates beetle sightings to convince management that specialized pest control services are required. Her receipt of money from the contractor shows corrupt motivation and vendor collusion. This is not bid tailoring because the facts do not involve drafting specifications to favor a bidder. It is not nonconforming services because the issue is the false need, not defective performance. It is not bid manipulation because the bidding process itself is not the main misconduct.

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Question 7

Question Type: MultipleChoice

Hannah is a manager at a financial institution. To safeguard the bank and its customers from electronic funds transfer (EFT) fraud, Hannah is implementing several preventive measures. Which of the following is NOT a measure Hannah should take to prevent EFT fraud?

Options:

A- If a customer reports the loss or theft of an access device, then cancel the existing card, PIN, or other form of access and issue a new one.
B- Send a welcome letter to new customers to determine if the address submitted on the account application is valid.
C- Separate the duties of bank employees so that the responsibilities for the issuance of access devices are separate from the issuance of PINs.
D- Mail PINs and other associated account information together to reduce the chance of those items being lost during transit.

Answer:

D

Explanation:

Rationale for Correct Answer: Best practices in preventing EFT fraud require mailing

Analysis of Incorrect Options:

A -- Correct preventive measure: immediately cancel and reissue stolen access devices.

B -- Correct preventive measure: validating addresses helps detect fraudulent applications.

C -- Correct preventive measure: segregation of duties reduces insider fraud risks.

Key Concept: EFT fraud prevention through layered security and separation of duties.

Question 8

Question Type: MultipleChoice

Ada uses her mother's government identification card to impersonate her mother and obtain health care for herself under her mother's insurance benefits. Which type of patient health care fraud scheme is Ada MOST LIKELY committing?

Options:

A- Misrepresentations fraud
B- Fictitious claims fraud
C- Third-party fraud
D- Multiple claims fraud

Answer:

C

Explanation:

Rationale for Correct Answer: This is third-party fraud, where someone uses another

Analysis of Incorrect Options:

A . Misrepresentations fraud -- Usually involves false information by a legitimate patient or provider.

B . Fictitious claims fraud -- Involves billing for services that never occurred.

D . Multiple claims fraud -- Involves submitting duplicate claims for the same service.

Key Concept: Health care fraud typologies -- patient third-party impersonation.

Question 9

Question Type: MultipleChoice

Which option best actions would balance the accounting equation to conceal the misappropriation of cash?

Options:

A- Increasing another asset
B- Increasing owners' equity
C- Increasing a liability
D- Creating fictitious revenue

Answer:

C

Explanation:

Rationale for Correct Answer:

When cash is stolen, the accounting equation (Assets = Liabilities + Equity) must still balance. Fraudsters may increase a liability (e.g., record fictitious payables) to cover the missing cash. This is a common concealment method.

Analysis of Incorrect Options:

A . Increasing another asset -- Would require inflating assets, but this usually affects financial statement fraud, not cash theft concealment.

B . Increasing owners' equity -- Not logical without legitimate earnings or capital contributions.

D . Creating fictitious revenue -- Used in financial statement fraud, not in balancing theft concealment.

Key Concept: Concealment methods for asset misappropriation --- offsetting missing cash with fictitious liabilities.

Question 10

Question Type: MultipleChoice

Not having any accounts receivable that are overdue is a common red flag of fictitious revenue schemes.

Options:

A- True
B- False

Answer:

A

Explanation:

Rationale for Correct Answer:

In fictitious revenue schemes, sales are recorded that never occurred. Because no actual customers exist, there will be no late or overdue accounts receivable. The Fraud Examiners Manual (2020) notes that unusually clean receivables aging reports---i.e., no overdue balances---can be a red flag of revenue manipulation.

Analysis of Incorrect Option:

B . False -- Incorrect; the absence of overdue receivables is indeed suspicious and aligns with fictitious revenue fraud.

Key Concept: Financial statement fraud red flags --- fictitious revenues.

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