

**Financial Accounting for Undergraduates**  
**3<sup>rd</sup> Edition by Wallace, Nelson, Christensen, and Ferris**

**Practice Quiz Solutions**

**Chapter 7. Internal Control and Cash**

1. Which of the following is *not* one of the three elements of the fraud triangle?
- a. Embezzlement
  - b. Opportunity
  - c. Pressure
  - d. Rationalization

Answer: a

2. Which of the following is *not* an element of internal control?
- a. Implement segregation of duties
  - b. Conduct internal audits
  - c. Maintain adequate accounting records
  - d. Only promoting from within

Answer: d

3. "EFT" refers to:
- a. Electronic funds transfer
  - b. Enter for transaction
  - c. Enter for transfer
  - d. Electronic forward transfer

Answer: a

4. Internal auditors are responsible for:
- a. The day-to-day monitoring of internal controls
  - b. Issuing a certification report on the internal controls
  - c. Auditing the financial statements
  - d. Preparation of the financial statements

Answer: a

5. Which of the following is *not* a primary activity of effective cash management?
- a. Excess cash should be invested in short-term investments to earn interest rates on the cash balances.
  - b. Inventory levels should be kept high.
  - c. Cash payments to suppliers should be delayed.
  - d. Increase the rate at which accounts receivable are collected.

Answer: *b*

6. Which of the following statements regarding a petty cash fund is false?
- a. The fund is managed on an imprest basis.
  - b. The fund is used to pay for minor expenses like postage and delivery charges.
  - c. The fund should have a balance large enough to pay the expected expenses for one year.
  - d. All fund replenishments are made by check.

Answer: *c*

7. What is a bank reconciliation?
- a. A formal financial statement that lists all of a firm's bank account balances.
  - b. A merger of two banks that were previously competitors.
  - c. A statement sent monthly by a bank to its depositors.
  - d. A schedule that accounts for differences between a firm's cash account balance and the balance reported by its bank.

Answer: *d*

8. In a bank reconciliation, outstanding checks are:
- a. Deducted from the bank balance
  - b. Added to the bank balance
  - c. Deducted from the general ledger cash account balance
  - d. Added to the general ledger cash account balance

Answer: *a*

9. “NSF” refers to:
- a. National Science Foundation
  - b. Not-sufficient-funds check
  - c. Need some funds
  - d. New service funding

Answer: *b*

10. An operational audit is:
- a. The same as a financial statement audit
  - b. Performed only by internal auditors
  - c. Included as part of a company’s annual report
  - d. Used to assess the quality and efficiency of a company’s operational performance

Answer: *d*