

Financial Accounting for Undergraduates
4th Edition by Wallace, Nelson, and Christensen

Practice Quiz

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

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

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

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

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.

6. Which of the following statements regarding a petty cash fund is false?
- The fund is managed on an imprest basis.
 - The fund is used to pay for minor expenses like postage and delivery charges.
 - The fund should have a balance large enough to pay the expected expenses for one year.
 - All fund replenishments are made by check.
7. What is a bank reconciliation?
- A formal financial statement that lists all of a firm's bank account balances.
 - A merger of two banks that were previously competitors.
 - A statement sent monthly by a bank to its depositors.
 - A schedule that accounts for differences between a firm's cash account balance and the balance reported by its bank.
8. In a bank reconciliation, outstanding checks are:
- Deducted from the bank balance
 - Added to the bank balance
 - Deducted from the general ledger cash account balance
 - Added to the general ledger cash account balance
9. "NSF" refers to:
- National Science Foundation
 - Not-sufficient-funds check
 - Need some funds
 - New service funding
10. An operational audit is:
- The same as a financial statement audit
 - Performed only by internal auditors
 - Included as part of a company's annual report
 - Used to assess the quality and efficiency of a company's operational performance

Practice Quiz SOLUTIONS

1. a
2. d
3. a
4. a
5. b
6. c
7. d
8. a
9. b
10. d