The bank reconciliation of XYZ Co. is provided below. Demonstrate the entries needed to update the Cash account in the general ledger by selecting the correct answers below.

<table>
<thead>
<tr>
<th>XYZ Co. Bank Reconciliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 30, 2016</td>
</tr>
<tr>
<td>Bank statement balance $2,010</td>
</tr>
<tr>
<td>Add: Deposit in transit 600</td>
</tr>
<tr>
<td>Less: Outstanding checks 370</td>
</tr>
</tbody>
</table>

Your answer is correct!

- Debit Cash $600 and credit Revenues $600.
- Debit Bank Service Charge Expense $60 and credit Cash $60.
- Debit Cash $100 and credit Note Receivable $100.
- Debit Miscellaneous Expense $370 and credit Cash $370.
- Debit Note Receivable $100 and credit Cash $100.
Describe what a petty cash fund is by completing the following sentence.

A petty cash fund is used for small payments in order to avoid the time and cost of writing checks for small amounts.
Identify the factors that cause the bank statement balance to differ from the depositor's book balance by matching each to its definition on the right.

<table>
<thead>
<tr>
<th>Your answer is correct!</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding check</strong></td>
</tr>
<tr>
<td><strong>Deposit in transit</strong></td>
</tr>
<tr>
<td><strong>NSF check</strong></td>
</tr>
<tr>
<td><strong>Bank charges</strong></td>
</tr>
</tbody>
</table>
Determine which of the statements below is true regarding the adjusted bank balance and the adjusted book balance on a bank reconciliation.

- The adjusted bank balance must equal the adjusted cash balance per books.
- The adjusted balance per books must equal the cash balance printed on the bank statement.
- The cash balance on the bank statement must equal the cash balance in the general ledger before the bank reconciliation.
- The adjusted book balance will rarely equal the adjusted bank balance.
A cash register tape reflected total sales equaling $100, but the cash in the cash register drawer equaled $105. Review the statements below and determine which is correct regarding this discrepancy. (Check all that apply.)

- The Cash Over and Short account will be credited for $5.
- The Sales account will be credited for $105.
- The Cash Over and Short account will be debited for $5.
- The Sales account will be credited for $100.
- The extra $5 collected will be treated as a miscellaneous revenue.
- The Cash account will be debited for $105.

Your answer is correct!
Show your understanding of what a bank reconciliation is by completing the following sentence.

A bank reconciliation is a(n) report(entry/charge/report,) explaining any differences between the checking (checking/subsidiary/sales) account balance according to the depositor's records and the balance reported on the bank (income/financial/bank) statement.

Your answer is correct!
Review the following statements regarding a petty cash fund used in a business. Select the one that is correct.

- Your answer is correct!

- Only the petty cashier is responsible for disbursing cash from the fund.

- A petty cash fund is controlled by top management.

- The cashier of a fund will write checks for small payments like postage, supplies and deliveries.

- A check written against the fund is cashed when the fund is replenished.
Choose the items below that would be subtracted from the book balance on a bank reconciliation. (Check all that apply.)

Your answer is correct!

<table>
<thead>
<tr>
<th>Item</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earned on the depositor's account</td>
<td></td>
</tr>
<tr>
<td>NSF customer check</td>
<td>✔️</td>
</tr>
<tr>
<td>Cleared checks</td>
<td></td>
</tr>
<tr>
<td>Monthly bank service charge</td>
<td>✔️</td>
</tr>
<tr>
<td>Note collected by the bank for the depositor</td>
<td></td>
</tr>
<tr>
<td>Outstanding checks</td>
<td></td>
</tr>
<tr>
<td>Monthly check charges assessed by the bank</td>
<td>✔️</td>
</tr>
</tbody>
</table>
XYZ Co. decided to create a petty cash fund. They estimated that $100 would be needed in the fund. Demonstrate the correct journal entry to create the account by choosing the correct action from those below.

- Your answer is correct!
- Petty Cash is debited for $100.
- Petty Cash is credited for $100.
- Miscellaneous Expense is debited for $100.
- Cash is debited for $100.
Jackson Co. needs to replenish its petty cash fund. Currently, it contains $5 in cash and receipts for supplies of $40 and delivery expenses of $49. The fund was initially established with $100. Demonstrate the journal entry to replenish the account and recognize the cash shortage by choosing the correct actions from those given below. (Check all that apply.)

- Cash Over and Short is credited for $6.
- Petty Cash is debited for $95.
- Supplies is debited for $40.
- Cash is debited for $95.
- Cash is credited for $89.
- Cash is credited for $95.
- Delivery Expense is debited for $49.
- Cash Over and Short is debited for $6.

Cash is credited for $95. The fund had $5 left and was initially established for $100. $100 - 5 = $95. Receipts = $89, so Cash Over and Short will be debited for $95 - $89 = $6.00.

Petty Cash is credited for $95.
Determine which of the statements below is correct regarding information reflected on a monthly bank statement.

- Checks that the company writes will be listed as credits to the bank account on the bank statement.
- The information on the bank statement reflects the bank's records of the depositor's account.
- The information on the bank statement reflects the customer's records.
- Deposits that the company makes will be listed as debits to the bank account on the bank statement.

Your answer is correct!
Gummy Co. purchased merchandise on June 10 at a $9,000 invoice price with terms of 2/10, n/30 and paid for the merchandise on June 30. Illustrate the required entries to record and pay for this purchase under the gross method and net methods by matching the action on the left with the method on the right. (Assume a perpetual inventory system is used.)

<table>
<thead>
<tr>
<th>Action on the Left</th>
<th>Method on the Right</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise Inventory would be debited for $9,000 on June 10.</td>
<td>Gross method</td>
</tr>
<tr>
<td>Discounts Lost would be debited for $180 on June 30.</td>
<td>Net method</td>
</tr>
<tr>
<td>Cash would be credited for $9,000 on June 30.</td>
<td>Both methods</td>
</tr>
</tbody>
</table>

Your answer is correct!
Review the items below and determine which would cause an increase in the monthly bank statement balance.

- Service fees charged by the bank
- Checks written during the month
- Cash deposits made by the account owner
- A customer's NSF check

Your answer is correct!
Given the bank reconciliation below, show what the effect on the Cash balance in the general ledger will be by selecting all of the correct answers below.

XYZ Co.
Bank Reconciliation
August 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Bank balance</th>
<th>Book Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balance</td>
<td>$2,005</td>
<td>$2,250</td>
</tr>
<tr>
<td>Add: Deposit in transit</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Add: Interest earned</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Less: Outstanding checks</td>
<td>185</td>
<td>180</td>
</tr>
<tr>
<td>Adjusted bank balance</td>
<td>$2,120</td>
<td>Adjusted book balance $2,120</td>
</tr>
</tbody>
</table>

- Your answer is correct!

- Cash will have an adjusted balance of $2,120 after posting the required adjustments.
- Cash will be credited by $185 for the outstanding checks.
- Cash will be credited by $180 for the NSF check.
- Cash will be debited for the $300 deposit in transit.
- Cash will be debited by $50 for the interest earned.
Summarize the internal control principle of establishing responsibility by completing the following sentence.

Proper internal control means that responsibility for a task (task/shortage/sale) is clearly established (posted/established/compensated) and assigned to one person.

Your answer is correct!
Calculate the adjusted cash balance per the books of XYZ Co. given the following information.

<table>
<thead>
<tr>
<th>Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance per bank statement</td>
<td>$600</td>
</tr>
<tr>
<td>Balance per general ledger cash account</td>
<td>710</td>
</tr>
<tr>
<td>Deposit in transit</td>
<td>200</td>
</tr>
<tr>
<td>Note collected by the bank on behalf of the depositor</td>
<td>80</td>
</tr>
<tr>
<td>Monthly bank charges</td>
<td>40</td>
</tr>
<tr>
<td>Outstanding checks</td>
<td>50</td>
</tr>
</tbody>
</table>

Your answer is correct!

- $950
- $990
- $750
- $630

Beg bal. $710 + Note $80 - bank charges $40.
Determine which of the items below would appear in the Checks and Debits column of a bank statement and would cause a *decline* in the account's balance. (Check all that apply.)

- Interest paid by the bank on the bank account balance
- A customer's NSF check
- Monthly service fees charged by the bank
- ATM withdrawals
- Checks written by the account owner
- Deposits made during the month
At the end of the month, Brown Co.'s petty cash fund contains $4 in cash and receipts for postage of $50 and delivery expenses of $46. It started out with $100 in the fund at the beginning of the month. Demonstrate the journal entry to replenish the account by choosing the *correct* action from those given below.

- Petty Cash is debited for $96.
- Cash is credited for $96.
- Petty Cash is credited for $96.
- Cash is debited for $96.

Your answer is correct!
Which of the following are correct regarding why management uses internal controls? (Check all that apply.)

- Ensure reliable accounting.
- Increase revenues.
- Reduce vendor payables.
- Protect assets.
- Urge adherence to company policies.
- Promote efficient operations.
Define what liquidity means by completing the following sentence.

Liquidity refers to a company's ability to pay for its near (near/long) -term obligations.

Your answer is correct!
In preparing a monthly bank reconciliation, a business follows several steps. Place the selected steps below in the correct order of occurrence.

1. Identify the bank statement balance then add any deposits in transit and subtract any outstanding checks.
2. Compute the adjusted bank balance.
3. Identify the company's book balance.
4. Add any unrecorded credit memoranda from the bank, interest earned, and errors understating the book balance.
5. Identify and list any unrecorded debit memoranda from the bank, service charges, and errors overstating the book balance.
6. Compute the adjusted book balance and compare it to the adjusted bank balance to verify equality.
Internal control policies and procedures have limitations that arise from many elements. Match the limitation on the left with its definition on the right.

<table>
<thead>
<tr>
<th>Limitation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human error</td>
<td>Can occur from negligence, fatigue, misjudgment or confusion</td>
</tr>
<tr>
<td>Human fraud</td>
<td>Involves intent by people to defeat internal controls for personal gain</td>
</tr>
<tr>
<td>Cost-benefit principle</td>
<td>Dictates that the costs of internal controls must not exceed their benefits</td>
</tr>
<tr>
<td>Internal control environment</td>
<td>Management must convey commitment to internal control policies and procedures</td>
</tr>
<tr>
<td>Banking Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Deposit ticket</td>
<td>Lists currency, coins and checks deposited into an account</td>
</tr>
<tr>
<td>Check</td>
<td>A document signed by the depositor instructing the bank to pay a specified amount of money</td>
</tr>
<tr>
<td>Bank account</td>
<td>A record set up by a bank for a customer</td>
</tr>
<tr>
<td>Remittance advice</td>
<td>Explains the reason for payment</td>
</tr>
<tr>
<td>Electronic funds transfer</td>
<td>Electronic transfer of cash from one party to another</td>
</tr>
</tbody>
</table>
Brown Co. decides to increase the amount in its petty cash fund from 100 to $150. To show this increase in the petty cash account, you would:

- debit Petty Cash for $50.
- debit Petty Cash for $150.
- credit Cash for $150.
- debit Cash for $50.

Your answer is correct!
Choose the statement below which is correct regarding which bank reconciliation items require adjusting journal entries.

- Only the items reconciling the bank balance require adjustment.
- All items reconciling both the bank balance and the book balance require adjustment.
- Only the items reconciling the book balance require adjustment.

Your answer is correct!
Choose the items below that would be added to the book balance on a bank reconciliation. (Check all that apply.)

- Deposit in transit
- Monthly check charges assessed by the bank
- NSF customer check
- Monthly bank service charge
- Interest earned on the depositor's account
- Note collected by the bank for the depositor

Your answer is correct!
The correct answer is shown

Explain how depositors can check for errors by completing the following sentence.

Error testing includes (a) comparing deposits on the bank statement with deposits in the accounting (accounting/sales/customer) records and (b) comparing canceled (outstanding/canceled) checks on the bank statement with checks (checks/deposits) recorded in the accounting records.

✓ Your answer is correct!
ABC Co. purchased merchandise on August 5 at a $1,000 invoice price with terms of 2/10, n/30 and paid for the merchandise on August 14. Determine its entry to record this purchase and the subsequent payment under both the gross method and the net method by matching the action on the left with the method on the right. (Assume a perpetual inventory system.)

<table>
<thead>
<tr>
<th>Action</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash would be credited for $980 on August 14.</td>
<td>Both methods</td>
</tr>
<tr>
<td>Merchandise Inventory would be debited for $980 on August 5.</td>
<td>Net method</td>
</tr>
<tr>
<td>Merchandise Inventory would be credited for $20 on August 14.</td>
<td>Gross method</td>
</tr>
<tr>
<td>Discounts Lost would be debited for $20 on August 14.</td>
<td>Neither method</td>
</tr>
</tbody>
</table>
Summarize the document flow or steps in a voucher system by placing the following actions in their correct order of occurrence.

Your answer is correct!

1. A purchase requisition is filled out and placed in voucher.
2. A purchase order is completed and a copy is placed in voucher.
3. A receiving report is completed when the order arrives and placed in voucher.
4. The accounting department approves payment of the invoice and approval is placed in voucher.
5. The cashier issues a check for the amount of the invoice.
True or False: A receiving report is a document that describes when goods have been received. It contains information about the quantity received as well as its condition and whether it agrees with the purchase order.

Your answer is correct!
Contrast how a depositor's account is classified by a bank compared to how it is classified by the account owner by completing the following sentence.

A depositor's account is a(n) liability (liability/asset/expense) on the bank's records, but it is a(n) asset (liability/asset/expense) on the books of the account owner. Because of this, every time the account owner makes a deposit, the bank credits (debits/credits) the account owner's account.
A voucher system is a set of procedures and approvals designed to control cash disbursements.

A voucher system keeps track of the number of hours each employee works in the day.

A voucher system controls the amount of liquid assets available at any given time, so that bills can be paid when due.

A voucher system controls the number of sales made to customers who are nearing their credit limit.
Identify the examples of good Internal controls designed to protect cash received in the mall. (Check all that apply.)

- The bank balance is reconciled by the person(s) opening the mail.
- Two people are assigned the task of, and are present for, opening the mail.
- The cashier records the amounts received in the accounting records.
- The recordkeeper and the person who reconciles the bank balance do not have access to cash.
The correct answer is shown

Define what a voucher is by completing the following sentence.

A voucher is an internal (internal/external) document (or file) used to accumulate information to control (reduce/control) cash disbursements and to ensure that a transaction is properly recorded.

✓ Your answer is correct!

OK

Challenge

Close book
An invoice can be described as an itemized statement of goods prepared by the vendor (buyer/customer/vendor) listing the customer's name, items sold, sales prices and terms of sale.

Your answer is correct!
Explain how a voucher system strengthens the control over cash disbursements by selecting the correct statements below. (Check all that apply.)

- Collusion within a company increases the effectiveness of a voucher system.
- The person issuing a check to pay the voucher has proof that an obligation has been incurred.
- The purchase requisition in a voucher system and its purchase order confirm the purchase was authorized.
- The invoice approval form in a voucher system verifies that the invoice has been checked for errors.
- The receiving report in a voucher system shows that items have been received.
Which statement below explains why liquid assets are needed in a business?

- Your answer is correct!

Liquid assets are easier to protect and control.

The maturity value of liquid assets is sensitive to interest rate changes.

Liquid assets must be readily available to settle near-term debt or obligations.

Liquid assets are purchased because they take longer to mature.
Review the statements below to determine the correct definition of a debit memorandum.

Your answer is correct!

The bank notifies the depositor of each increase to the account with a debit memorandum.

Whenever the account owner deposits money into the account, the bank issues a debit memorandum.

Whenever the balance in the account becomes overdrawn, the bank issues a debit memorandum.

The bank notifies the depositor of each deduction to the account with a debit memorandum.
The following annual account balances are taken from ABC Co at year end.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$49,500</td>
<td>$48,000</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$580,000</td>
<td>$535,000</td>
</tr>
<tr>
<td>Days Sales Uncollected</td>
<td>31.15 days</td>
<td>32.74 days</td>
</tr>
</tbody>
</table>

Select the statements below that are correct regarding ABC Co.'s ability to collect its receivables from customers.

- ABC Co. has shortened the amount of time it takes to collect receivables from customers.
- ABC Co. has increased the amount of time it takes to collect receivables from customers.
- ABC Co. took approximately 31 days to collect cash from its credit customers in 2015.
- ABC Co. is shortening the amount of time that money is tied up in receivables.

Your answer is correct!
Describe the internal control principle of separating recordkeeping from custody of assets by completing the following sentence.

A person who controls (identifies/controls/recommends) or has access to an asset must **not** (always/not/) keep that asset's accounting records.

Your answer is correct!
Describe what an invoice approval is by selecting the correct answer below.

- An invoice approval is an itemized statement of goods prepared by the vendor listing the amount owed.
- An invoice approval is the document the purchasing department uses to place an order with a vendor.
- An invoice approval is completed by the accounting department to approve an invoice for payment.
- An invoice approval is used to notify the appropriate persons that ordered goods have been received.

Your answer is correct!
Describe the purpose of a purchase requisition by selecting the correct answer below. (Check all that apply.)

Your answer is correct!

Purchase requisitions are designed, so that managers can place their orders directly with vendors without going through the purchasing department.

- Managers are not allowed to place orders directly with vendors; instead, they fill out a purchase requisition.
- Purchase requisitions are used to inform the purchasing department of its needs.
- Purchase requisitions are used for control purposes.
Identify the statement below that describes what the Days' sales uncollected ratio assesses.

- It measures how quickly a company can convert its accounts receivables into cash.
- It assesses the company's ability to pay its debts.
- It is a useful in evaluating the liquidity of inventory.
- It measures how profitable a company is when it sells its products.

Your answer is correct!
Review the statements below to determine the correct definition of a credit memorandum.

Your answer is correct!

- The bank notifies the depositor of each increase to the account with a credit memorandum.

Whenever the balance in the account becomes overdrawn, the bank issues a credit memorandum.

Whenever a check is drawn against the account, the bank issues a credit memorandum.

The bank notifies the depositor of each deduction to the account with a credit memorandum.
Identify which of the items below are goals of good cash management. (Check all that apply.)

- Keep a maximum level of cash available to pay for emergencies that develop.
- Plan cash receipts to meet cash payments when due.
- Pay all bills immediately when received.
- Keep a minimum level of cash necessary to operate.

Your answer is correct!
Identify the items below which are correct statements about the similarities and differences between IFRS and U. S. GAAP in regards to internal controls and in the accounting and reporting of cash. (Check all that apply.)

- Accounting definitions for cash are similar for U. S. GAAP and IFRS.
- U. S. GAAP and IFRS strongly support procedures aimed at controlling cash receipts and disbursements.
- U. S. GAAP, but not IFRS, encourages the use of a bank statement to check the accuracy of the general ledger Cash account.
- Both U. S. GAAP and IFRS support enhanced internal controls.

Your answer is correct!
Which statement below describes the internal control procedure of insuring assets and bonding key employees?

- Insuring assets has a cost that outweighs the risk of loss.
- **Insuring assets against casualty and bonding employees who handle cash reduces risk of loss.**
- Bonding employees and insuring assets increases the risk of loss.
- Insuring assets and bonding employees makes it unlikely that a theft is uncovered.
Which of the statements below describes the internal control principle of applying technological controls?

Your answer is correct!

- The person in charge of creating technology controls should not be the person who installs the technology control.
- Technological controls for assets should be separated from custody over those assets.
- Technological controls, such as time clocks and cash registers, improve the effectiveness of controls.
- A responsibility for a transaction should be divided between two or more individuals or departments.
Determine which of the statements below are correct if a Petty Cash account is not replenished at the end of the accounting period. (Check all that apply.)

- Expenses were not recorded in the period in which they were incurred.
- The balance sheet would show an understated cash asset.
- The income statement would reflect a net income amount that was too high.
- The balance sheet would show an overstated cash asset.

Your answer is correct!
Which of the statements below explains the internal control principle of performing regular and independent reviews?

- Using preprinted forms and internal documents are designed to be an independent review of transactions.
- Using personal identification scanners are an appropriate regular and independent review.
- Regular reviews of internal control systems are needed to ensure that procedures are followed.
- Responsibility for a task is clearly established and assigned to one person who does a regular review of these tasks to verify accuracy.

Your answer is correct!
Describe the internal control principle of dividing responsibility for related transactions by selecting the *correct* statements below. (Check all that apply.)

- Your answer is correct!
- Examples of transactions with divided responsibility are placing purchase orders and paying vendors.
- This principle calls for a duplication of work so that comparisons can be made.
- This principle is often called separation of duties.
- This principle helps to make sure that the work of one individual acts as a check on another individual’s work on a related transaction.
Identify the examples of good internal control designed to protect over-the-counter cash receipts. (Check all that apply.)

- The clerk who has access to cash in the register should have access to its locked-in record.
- Clerks should be required to give the customer a receipt for each sale.
- Clerks should be required to enter each sale before wrapping merchandise.
- The clerk and the cashier have access to cash, but not to the accounting records.
The following annual account balances are taken from ABC Co at year end.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$5,500</td>
<td>$4,000</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$58,000</td>
<td>$55,000</td>
</tr>
<tr>
<td>Days sales uncollected</td>
<td>? days</td>
<td>? days</td>
</tr>
</tbody>
</table>

Calculate ABC Co.'s *days sales uncollected* for 2015.

Your answer is correct!

- 34.6 days
- 15.06 days
- 38.49 days
- 26.54 days
Which of the statements below describe the goals and principles of cash management? (Check all that apply.)

- Encourage quick payment of liabilities.
- Keep a minimum level of cash necessary to operate.
- Plan cash receipts to meet cash payments when due.
- Excess cash should be kept on hand to pay bills.
- Encourage quick collection of receivables.
- Money should be spent only when it is available.

Your answer is correct!
Identify the basic internal control guidelines which should be in place to protect a business's cash by selecting the correct answers below. (Check all that apply.)

- Your answer is correct!
- Cash receipts are promptly deposited in a bank.
- Cash disbursements are made by check.
- Bills should be paid immediately.
- Handling cash is separate from recordkeeping of cash.

Excess cash should be left in the bank to maintain liquidity.
Determine which of the statements below accurately describe services provided by a bank. (Check all that apply.)

- Each bank deposit is supported by a check.
- To withdraw money from an account, the depositor can use a check.
- Each bank deposit is supported by a deposit ticket.
- To limit access to a bank account, all persons authorized to write checks on the account must sign a deposit slip.
- A bank account is a record set up by a bank for a customer.
Choose the list below that contains *only* cash or cash equivalents.

- Your answer is correct!

<table>
<thead>
<tr>
<th>List</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds, U. S. Treasury bills, Prepaid insurance</td>
</tr>
<tr>
<td>Savings deposits, Accounts receivable, Cashier checks</td>
</tr>
<tr>
<td>Cashier checks, U. S. Treasury bills, Accounts receivable</td>
</tr>
<tr>
<td><strong>Customer checks, Money orders, Certified checks</strong></td>
</tr>
</tbody>
</table>

[Read about this]
Summarize the internal control procedure of maintaining adequate records by selecting the **correct** answers below. (Check all that apply.)

- Reliable records are a source of information that managers use to monitor activities.
- Dividing responsibility for related transactions reduces the occurrence of recordkeeping errors.
- Keeping detailed records makes it unlikely that assets are lost or stolen without detection.
- Bonding employees reduces the risk of loss.

Your answer is correct!
Given the choices below, choose the examples of internal controls designed to control cash disbursements. (Check all that apply.)

- Use of a petty cash system.
- The person in charge of purchasing and receiving should be the only person authorized to pay.
- All disbursements should be made by check.
- Only authorized individuals should be allowed to sign checks.
- Use of a voucher system.
Summarize the information included on the inside and the outside of a voucher by selecting the correct items below. (Check all that apply.)

- Date of the invoice
- Terms of the purchase
- The name of the account to debit for the payment
- A picture of the item or supplies purchased
- The name of the vendor to whom the money is owed
Which of the statements below explains how technology has impacted internal control systems? (Check all that apply.)

- Technologically advanced systems can record who made entries, the date and time of the entry and the source of the entry.
- Technology has reduced the number of processing errors.
- Technology can be designed to require the use of password before access to the system is granted.
- Technology has encouraged the growth of e-commerce, so there is a higher risk of credit card number theft.

Technology increases job creation and fewer job consolidations.

Your answer is correct!
Describe the purpose of a purchase order by selecting the correct statement(s) below. (Check all that apply.)

Your answer is correct!

- Multiple copies of the purchase order are distributed to other departments to increase internal control of company purchases.
- A purchase order authorizes a vendor to ship ordered merchandise at a stated price and terms.
- A purchase order is a document the purchasing department uses to place an order with a vendor.

A purchase order is a bill received from the vendor that reflects the amount owed by the buyer.
All petty cash receipts are turned in to the company cashier at the end of each day.

The petty cashier must present all paid receipts to the company cashier in order to replenish the fund.

A petty cash receipt is rarely prenumbered.

A petty cash receipt will have a signature line for the person receiving a disbursement from the fund.

A petty cash receipt is sometimes called a petty cash ticket.

Any person wishing to withdraw funds from a petty cash fund must complete a petty cash receipt.
Define the Discounts Lost account by selecting the statements below that correctly describe this account. (Check all that apply.)

- This account alerts management when discounts are not taken for early payment. Because an account is set up to record the discounts, management is alerted to discounts not taken.
- It is debited when a discount is not taken and when using the gross method of recording purchases.
- It is reported on the income statement.
- It is an expense account.
- It is reported on the balance sheet.
- It is debited when a discount is not taken and when using the net method of recording purchases.
There are several reasons why the petty cash fund would experience a shortage or an overage. Determine which of the actions below would result in a shortage or an overage in the petty cash fund. (Check all that apply.)

- A person receiving a disbursement from the fund failed to return change from a transaction.
- The company cashier reduced the petty cash account.
- The petty cashier failed to get a receipt for payment.
- The petty cashier overpaid for the amount due.

Your answer is correct!
Identify the principles of internal control by selecting the correct answers below. (Check all that apply.)

- Match revenues with expenses in the same accounting period.
- Maintain adequate records.
- Insure assets.
- Separate recordkeeping from custody of assets.
- Perform regular and independent reviews.
- Establish responsibilities.
- Record assets at cost.
- Apply technological controls.

Your answer is correct!
How has the Sarbanes-Oxley Act (SOX) impacted the internal control of companies? (Check all that apply.)

- SOX requires that management hire outside consultants to create internal controls to be used to safeguard assets.
- SOX requires that each company's annual report contain an internal control report.
- SOX requires that management apply technological controls whenever cash is involved.
- SOX requires that managers document all internal control processes that can impact financial reporting.
- SOX requires that companies must assess the effectiveness of their internal controls.
Identify when the Petty Cash fund is debited or credited by selecting the correct answer below. (Check all that apply.)

- When the account is replenished
- When the account is increased
- When the account is created
- When the account is reduced

Your answer is correct!