

## INTERNAL CONTROLS QUIZ

*For Statements 1-4, circle T if the statement is True, F if the statement is false.*

- 1) Internal controls are concerned with the reliability of financial information.    **T**    **F**
- 2) Incompatible duties exist when an employee is in a position to perpetrate and conceal errors or fraud.    **T**    **F**
- 3) Well-designed internal controls will prevent all fraud by top management.    **T**    **F**
- 4) The relatively low number of types of transactions incurred by small firms makes the segregation of duties impossible.    **T**    **F**

*For 5-7, circle the correct answer to each question.*

- 5) Which of the following is LEAST likely to be evidence of effective internal controls?
  - A) Supporting documents stamped “Processed”
  - B) Monthly list of accounts payable
  - C) Records documenting users of automated accounting programs
  - D) Signatures on authorization forms
- 6) Which of the following is NOT considered one of the five major components of internal control?
  - A) risk assessment
  - B) segregation of duties
  - C) control activities
  - D) monitoring
- 7) Of the following statements about internal controls, which one is not valid?
  - A) No one person should be responsible for the custodial responsibility and the recording responsibility for an asset.
  - B) Transactions must be properly authorized before such transactions are processed.
  - C) Because of the cost/benefit relationship, certain risks may have to be accepted.
  - D) Internal Control activities reasonably ensure that collusion among employees cannot occur.