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.