1. Which of the following is subtracted from the unadjusted bank balance to determine a company’s true cash balance?

A. NSF checks

B. Deposits in transit

C. Outstanding checks

D. Both A and C

2. Which of the following is added to the unadjusted book balance to determine a company’s true cash balance?

A. Deposits in transit

B. Debit memo for new checks

C. Error made when a check written for $68 was recorded by the company bookkeeper for $86.

D. None of the above

3. Which of the following would require a journal entry when preparing the bank reconciliation?

A. Error made when the bank deducted $100 from the company’s account for a check written against another customer’s account.

B. NSF check

C. Outstanding check

D. Both A and B

4. Identify the false statement:

A. The balance sheet will report the true cash balance only after all appropriate journal entries related to the bank reconciliation are made.

B. Outstanding checks are checks received by the company that have not yet been deposited.

C. NSF checks are checks that were deposited but rejected by the bank due to insufficient funds.

D. Debit memos are amounts deducted by the bank for items such as service charges.

5. Which of the following is the appropriate journal entry to record the recognition of an NSF check for $100?

A. 

B. 

C. 

D. No journal entry is necessary.

6. Bates Company had the following information related to its bank balance and its book balance at March 31, 2015. What is the company’s true cash balance on this date?

|  |  |
| --- | --- |
| Unadjusted bank balance | $ 6,000 |
| Unadjusted book balance | 5,445 |
| Outstanding checks | 1,500 |
| Deposits in transit | 930 |
| Debit memo for bank service charge | 35 |
| Credit memo for interest earned | 20 |

A. $5,430

B. $6,570

C. $5,460

D. None of the above

7. Jasper Company’s accountant transposed two numbers when recording a check for a cash purchase of supplies. The check was written for $127 but was recorded as $172. What entry is required to correct this recording error?

A. 

B. 

C. 

D. No journal entry is necessary.

8. A CPA conducts an audit on a company’s financial statements and finds that the statements are materially correct and are in compliance with GAAP without reservation or exception. What form of opinion will the CPA firm issue on these statements?

A. Qualified opinion

B. Unqualified opinion

C. Adverse opinion

D. Disclaimer of opinion

9. Which of the following would not be considered an internal control related to cash receipts?

A. Cash deposits are made daily.

B. The person receiving cash is not the same person who records the receipts in the general journal.

C. Cashiers count out their drawers at the end of each shift.

D. The company uses prenumbered checks.

10. Which of the following is a true statement?

A. The bank reconciliation should be performed by someone other than the person who records payments and receipts.

B. Separation of duties is not necessary if the bookkeeper has been with the company a long time.

C. A good system of internal controls cannot be broken through collusion.

D. Physical controls include bonding of employees.