1. Answer: C – Outstanding checks are deducted from the unadjusted bank balance. Deposits in transit are added to the bank balance, and NSF checks are deducted from the unadjusted cash (book) balance.

2. Answer: C – When the check written for $68 was recorded as $86, too much was deducted from the cash account. Therefore, the difference of $18 must be added back to the cash account (unadjusted book balance) to correct the error. Debit memos are subtracted from the unadjusted book balance, and deposits in transit are added to the bank balance.

3. Answer: B – NSF (non-sufficient funds) checks require journal entries as part of the bank reconciliation in order to correct the unadjusted cash balance. Errors made by the bank and outstanding checks are adjustments made to the unadjusted bank balance and do not require journal entries.

4. Answer: B – Outstanding checks are checks that have been written (not received) by the company that have not yet been presented to the bank for payment.

5. Answer: C – The journal entry to recognize an NSF check is a debit to accounts receivable and a credit to cash because the customer who wrote the check now owes the company the amount of the original check.

6. Answer: A – Unadjusted bank balance $6,000 – 1,500 + 930 = $5,430; Unadjusted book balance $5,445 – 35 + 20 = $5,430

7. Answer: C – When the check was recorded, $45 too much was added to the supplies account and deducted from the cash account. To correct the error, the $45 must be deducted from supplies and added back to cash.

8. Answer: B – An unqualified opinion is issued when the auditor finds that the statements are materially correct and are in compliance with GAAP without reservation or exception.

9. Answer: D – The use of prenumbered checks is a control related to cash disbursements, not cash receipts.

10. Answer: A – As part of separation of duties, the bank reconciliation should be performed by someone other than the person who records cash payments and receipts. All of the other statements are false.