1. Every part of the company is an individual unit, independent on other parts.

Answer : False

Explanation : Every part of the company is crucial and dependent on each other as they work together to keep the company up and running.

2. Limitations of control systems are that people will get fatigue too and not every worker will do what they are instructed to.

Answer : True

Explanation : People are not perfect so there will prone to be mistakes.

3. Fraud is a kind of intentional misrepresentation, such as when you tell your friend to drink coke to improve their health.

Answer : False

Explanation : While such the above is misleading, it is not fraud in the accounting sense. An example of a fraud would be a cashier pocketing money from a cash register.

4. When there is an account receivable from a customer where the auditor declared going concern, the percent uncollectible will still go according to the days outstanding.

Answer : False

Explanation : While this may be true if the payable is long outstanding, for payables that have only been outstanding a short while yet have a going concern, there will be an allocation of a higher percent uncollectible.

5.  Which choice is not a basic goal of a control systems?

a) Make sure nothing goes wrong b) When something is wrong, fix it c) Market the products well to the consumers d) Check products randomly during assembly

Answer : C

Explanation : a) Correct! b) Correct! c) The basic goals of control systems are to prevent, detect and correction. Marketing is not one of them. d) Correct!

6. Which of the 4 is not the fraud triangle component?

a) Confidence b) Opportunity c) Rationalization d) Motivation

Answer : C

Explanation : The 3 components for fraud to happen is Opportunity, Rationalization and Motivation.

7. Which of the following is not an example of cash in the bank?

a) Checks b) Bank interest and fees c) Electronic checks d) petty cash

Answer : D

Explanation: a) Correct! b) Correct! c) Correct! d) Petty cash is a type of cash on companies' books where a small amount of cash is set aside for small purchases.

8. Which of the following is not an example of cash on companies' books?

a) Petty Cash b) Purchase Orders c) Electronic Fund Transfer (EFT) d) checks

Answer : C

Explanation : a) Correct! b) Correct! c) EFT is an example of cash in the bank where people do electronic transfer to company's bank account. d) Correct!

9. Which account is affected when there is a new A/R allowance with no prior balance?

a) Gain on re-estimation of uncol. accounts b) Cash c) Accounts Payable d) Bad Debt Expense

Answer : D

Explanation : a) You only record this account when there is an extra allowance for uncollectible accounts. b) There is no cash involved. c) There are no accounts payable involved. d) Correct!

10. The prior balance of allowance for uncollectible accounts is X ($3000-$5000). The new allowance balance is Y ($1000-$2500). What is the balance for gain on re-estimation of uncollectible accounts?

Answer : X - Y

Explanation : There will be a gain on re-estimation since the prior balance is more than the new allowance.

11. The prior balance of allowance for uncollectible accounts is X ($1000-$2000). The new allowance balance is Y ($3000-$3500). What is the balance for bad debt expense?

Answer : Y - X

Explanation : As there is a lack of allowance balance from the prior balance, the bad debt expense will be recorded only for the additional allowance required.

12. The prior balance of allowance for uncollectible accounts is X ($2000-$3000). As ABCD company goes bankrupt and still owed Y ($100-$1000), we must write off the account. What is the credit recorded to the accounts receivable account for this entry?

Answer : Y

Explanation : For bankruptcy, we use the direct write off method to write off ABCD's account. Thus, we reduce the allowance for uncollectible accounts and accounts receivable based on the amount they owed previously.