1. Freije Refrigeration Company has an inventory of raw materials and parts consisting of thousands of different items which are of small dollar value individually but significant in total. A fundamental control requirement of Freije's inventory system is that:
	1. Perpetual inventory records be maintained for all inventory items
	2. The taking of physical inventories be conducted on a cycle basis rather than at year‑end
	3. The storekeeping function not be combined with the production and inventory record‑keeping functions
	4. Material requisitions be approved by an officer of the company
2. The sales department bookkeeper has been crediting house‑account sales to her brother-in‑law, an outside salesman. Commissions are paid on outside sales but not on house-account sales. This might have been prevented by requiring that:
	1. Sales order forms be prenumbered and accounted for by the sales department bookkeeper
	2. Sales commission statements be supported by sales order forms and approved by the sales manager
	3. Aggregate sales entries be prepared by the general accounting department
	4. Disbursement vouchers for sales commissions be reviewed by the internal audit department and checked to sales commission statements

1. The voucher system requires that invoices be compared with receiving reports and express bills before a voucher is prepared and approved for payment.
	1. Unrecorded checks appear in the bank statement
	2. The treasurer takes funds by preparing a fictitious voucher charging "Miscellaneous General Expenses"
	3. An employee in the purchasing department sends through fictitious invoices and receives payment
	4. A cash shortage is covered by underfooting outstanding checks on the bank reconciliation
	5. A cash shortage is covered by omitting some of the outstanding checks from the bank reconciliation
2. Both cash and credit customers are educated to expect a sales ticket. Tickets are serially numbered. All numbers are accounted for daily.
	1. Customers complain that their monthly bills contain items that have been paid
	2. Some customers have the correct change for the merchandise purchased; they pay and do not wait for a sales ticket
	3. Customers complain that they are billed for goods they did not purchase
	4. Customers complain that goods ordered are not received
	5. Salesclerks destroy duplicate sales tickets for the amount of cash stolen
3. At a movie‑theater box office, all tickets are prenumbered. At the end of each day, the beginning ticket number is subtracted from the ending number to give the number of tickets sold. Cash is counted and compared with the number of tickets sold.
	1. The box office gives too much change
	2. The ticket taker admits his friends without a ticket
	3. The manager gives theater passes for personal expenses, which is against company policy
	4. A test check of customers entering the theater does not reconcile with ticket sales
	5. Tickets from a previous day are discovered in the ticket taker's stub box despite the fact that tickets are stamped "Good on Date of Purchase Only"
4. The duties of cashier and accounts‑receivable bookkeeper should be separated.
	1. There are two cashiers. At the end of a certain day, there is a sizable cash shortage; each cashier blames the other and it is impossible to fix responsibility
	2. A cash shortage is covered by overfooting (overadding) cash in transit on the bank reconciliation
	3. A cash shortage is covered by charging it to "Miscellaneous General Expenses"
	4. Customers who paid their accounts in cash complain that they still receive statements of balances due
	5. The accounts‑receivable bookkeeper charges off the accounts of friends to "Allowance for Uncollectible Accounts"
5. Regarding COBIT, which of the statements is true?
	1. COBIT means Cost Objectives for Information and Related Technology
	2. COBIT rejects the definition of internal control from the COSO report
	3. COBIT states that a company’s management should play a minor role in establishing an internal control system
	4. COBIT classifies people as one of the primary resources managed by various IT processes
6. The component of an internal control system that concerns itself with the way a company’s management assigns authority and responsibility is called:
	1. Monitoring
	2. Control environment
	3. Risk assessment
	4. Information

31. Suppose a company established training programs that teach employees to perform their job functions more efficiently and effectively. This is an example of which type of control?

a) Detective

b) Preventive

c) Corrective

d) none of the above

32 Many organizations have an internal audit function that makes periodic reviews of each department within the organization. The focus of these reviews is to:

a) Conduct an investigation of each department to be sure fraud is not taking place

b) Evaluate the efficiency and effectiveness of the department

c) Evaluate the performance of the manager of the department

d) Report to the organization’s top managers and board of directors