|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **13) Custody is transferred from the warehouse to the shipping department upon authorization of the**

|  | A. invoice. |
| --- | --- |
|  | B. customer order. |
|  | C. purchase order. |
|  | D. shipping order. |
|  |  |

 |
| **14) The most reliable evidence comes from**

|  | A. examining a sales invoice. |
| --- | --- |
|  | B. a negative confirmation. |
|  | C. a blank confirmation. |
|  | D. a positive confirmation. |
|  |  |

 |
| **15) Approval of credit sales by the credit department supports the assertion of**

|  | A. valuation or allocation. |
| --- | --- |
|  | B. existence or occurrence. |
|  | C. rights and obligations. |
|  | D. completeness. |
|  |  |

 |
| **16) A proof of cash is normally used**

|  | A. when control risk for cash is low. |
| --- | --- |
|  | B. for all engagements. |
|  | C. when lapping is suspected. |
|  | D. to test the transactions process when controls over cash are weak. |
|  |  |

 |
| **17) An enlightened management may decrease the probability of fraud in the company best by**

|  | A. stressing negative observations on their work to increase performance. |
| --- | --- |
|  | B. restricting authority for profit objective determination to top management. |
|  | C. establishing work teams that share responsibilities, performance, and bonuses based on collective efforts. |
|  | D. measuring performance and awarding bonuses on the basis of short-term operating results. |
|  |  |

 |
| **18) When counting cash on hand, the auditor must exercise control over all cash and other negotiable assets to prevent**

|  | A. substitution of stolen funds. |
| --- | --- |
|  | B. theft. |
|  | C. kiting. |
|  | D. lapping. |
|  |  |

 |
| **19) Inventory must be recorded when**

|  | A. the related revenue is recognized. |
| --- | --- |
|  | B. the company has title to it. |
|  | C. it is shipped from the vendor. |
|  | D. it is received. |
|  |  |

 |
| **20) Responsibility for the physical inventory count lies with the**

|  | A. client. |
| --- | --- |
|  | B. vendor. |
|  | C. inventory specialist. |
|  | D. auditor. |
|  |  |

 |
| **21) The source of authorization for preparation of materials requisitions is the**

|  | A. production plan. |
| --- | --- |
|  | B. bill of materials. |
|  | C. sales forecast. |
|  | D. purchase order. |

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