

IIA

Exam Questions IIA-CIA-Part3

Certified Internal Auditor - Part 3, Business Analysis and Information Technology



NEW QUESTION 1

- (Exam Topic 1)

Which of the following conflict resolution methods should be applied when the intention of the parties is to solve the problem by clarifying differences and attaining everyone's objectives?

- A. Accommodating.
- B. Compromising.
- C. Collaborating.
- D. Competing.

Answer: C

NEW QUESTION 2

- (Exam Topic 1)

Which of the following activities most significantly increases the risk that a bank will make poor-quality loans to its customers?

- A. Borrowers may not sign all required mortgage loan documentation.
- B. Fees paid by the borrower at the time of the loan may not be deposited in a timely manner.
- C. The bank's loan documentation may not meet the government's disclosure requirements.
- D. Loan officers may override the lending criteria established by senior management.

Answer: D

NEW QUESTION 3

- (Exam Topic 1)

Which of the following does not provide operational assurance that a computer system is operating properly?

- A. Performing a system audit.
- B. Making system changes.
- C. Testing policy compliance.
- D. Conducting system monitoring.

Answer: B

NEW QUESTION 4

- (Exam Topic 1)

Which of the following statements about slack time and milestones are true?

- * 1. Slack time represents the amount of time a task may be delayed without delaying the entire project.
- * 2. A milestone is a moment in time that marks the completion of the project's major deliverables.
- * 3. Slack time allows the project manager to move resources from one task to another to ensure that the project is finished on time.
- * 4. A milestone requires resource allocation and needs time to be completed.

- A. 1 and 4 only
- B. 2 and 3 only
- C. 1, 2, and 3 only
- D. 1, 2, 3, and 4

Answer: C

NEW QUESTION 5

- (Exam Topic 1)

What are the objectives of governance as defined by the Standards?

- A. Inform, direct, manage, and monitor.
- B. Identify, assess, manage, and control.
- C. Organize, assign, authorize, and implement.
- D. Add value, improve, assure, and conform.

Answer: A

NEW QUESTION 6

- (Exam Topic 1)

An internal auditor discovered that several unauthorized modifications were made to the production version of an organization's accounting application. Which of the following best describes this deficiency?

- A. Production controls weakness.
- B. Application controls weakness.
- C. Authorization controls weakness.
- D. Change controls weakness.

Answer: D

NEW QUESTION 7

- (Exam Topic 1)

Which of the following statements is true regarding the relationship between an individual's average tax rate and marginal tax rate?

- A. In a regressive personal tax system, an individual's marginal tax rate is normally greater than his average tax rate.
- B. In a regressive personal tax system, an individual's marginal tax rate is normally equal to his average tax rate.
- C. In a progressive personal tax system, an individual's marginal tax rate is normally equal to his average tax rate.
- D. In a progressive personal tax system, an individual's marginal tax rate is normally greater than his average tax rate.

Answer: D

NEW QUESTION 8

- (Exam Topic 1)

For an engineering department with a total quality management program, important elements of quality management include all of the following except:

- A. Basing performance evaluations on the number of projects completed.
- B. Comparing results with those of other engineering departments.
- C. Creating a quality council within the engineering department.
- D. Conducting post-project surveys on performance.

Answer: A

NEW QUESTION 9

- (Exam Topic 1)

Which of the following is an element of effective negotiating?

- A. Ensuring that the other party has a personal stake in the agreement.
- B. Focusing on interests rather than on obtaining a winning position.
- C. Considering a few select choices during the settlement phase.
- D. Basing the agreement on negotiating power and positioning leverage.

Answer: B

NEW QUESTION 10

- (Exam Topic 1)

Which of the following is a key characteristic of a zero-based budget?

- A. A zero-based budget provides estimates of costs that would be incurred under different levels of activity.
- B. A zero-based budget maintains focus on the budgeting process.
- C. A zero-based budget is prepared each year and requires each item of expenditure to be justified.
- D. A zero-based budget uses input from lower-level and middle-level managers to formulate budget plans.

Answer: C

NEW QUESTION 10

- (Exam Topic 1)

According to IIA guidance, which of the following corporate social responsibility (CSR) activities is appropriate for the internal audit activity to perform?

- A. Determine the optimal amount of resources for the organization to invest in CSR.
- B. Align CSR program objectives with the organization's strategic plan.
- C. Integrate CSR activities into the organization's decision-making process.
- D. Determine whether the organization has an appropriate policy governing its CSR activities.

Answer: D

NEW QUESTION 15

- (Exam Topic 1)

Which of the following would best prevent unauthorized external changes to an organization's data?

- A. Antivirus software, firewall, data encryption.
- B. Firewall, data encryption, backup procedures.
- C. Antivirus software, firewall, backup procedures.
- D. Antivirus software, data encryption, change logs.

Answer: A

NEW QUESTION 20

- (Exam Topic 1)

Which stage in the industry life cycle is characterized by many different product variations?

- A. Introduction.
- B. Growth.
- C. Maturity.
- D. Decline.

Answer: A

NEW QUESTION 22

- (Exam Topic 1)

Which of the following describes a typical desktop workstation used by most employees in their daily work?

- A. Workstation contains software that prevents unauthorized transmission of information into and out of the organization's network.
- B. Workstation contains software that controls information flow between the organization's network and the Internet.
- C. Workstation contains software that enables the processing of transactions and is not shared among users of the organization's network.
- D. Workstation contains software that manages user's access and processing of stored data on the organization's network.

Answer: C

NEW QUESTION 25

- (Exam Topic 1)

The first stage in the development of a crisis management program is to:

- A. Formulate contingency plans.
- B. Conduct a risk analysis.
- C. Create a crisis management team.
- D. Practice the response to a crisis.

Answer: B

NEW QUESTION 28

- (Exam Topic 1)

The economic order quantity can be calculated using the following formula:

$$Q = \sqrt{\frac{2Dp}{s}}$$

Q = Order size in units
 D = Annual demand in units
 p = Cost per purchase order
 s = Carrying cost per year for one unit of inventory

Which of the following describes how the optimal order size will change if the annual demand increases by 36 percent?

- A. Decrease by about 17 percent.
- B. Decrease by about 7 percent.
- C. Increase by about 7 percent.
- D. Increase by about 17 percent.

Answer: D

NEW QUESTION 29

- (Exam Topic 1)

An organization is considering mirroring the customer data for one regional center at another center. A disadvantage of such an arrangement would be:

- A. Lack of awareness of the state of processing.
- B. Increased cost and complexity of network traffic.
- C. Interference of the mirrored data with the original source data.
- D. Confusion about where customer data are stored.

Answer: B

NEW QUESTION 31

- (Exam Topic 1)

Which of the following is not a potential area of concern when an internal auditor places reliance on spreadsheets developed by users?

- A. Increasing complexity over time.
- B. Interface with corporate systems.
- C. Ability to meet user needs.
- D. Hidden data columns or worksheets.

Answer: C

NEW QUESTION 33

- (Exam Topic 1)

Which of the following is the most appropriate test to assess the privacy risks associated with an organization's workstations?

- A. Penetration test.
- B. Social engineering test.
- C. Vulnerability test.
- D. Physical control test.

Answer: D

NEW QUESTION 38

- (Exam Topic 1)

Which of the following techniques is the most relevant when an internal auditor conducts a valuation of an organization's physical assets?

- A. Observation.
- B. Inspection.
- C. Original cost.
- D. Vouching.

Answer: B

NEW QUESTION 40

- (Exam Topic 1)

Which of the following application software features is the least effective control to protect passwords?

- A. Suspension of user IDs after a user's repeated attempts to sign on with an invalid password.
- B. Encryption of passwords prior to their transmission or storage.
- C. Forced change of passwords after a designated number of days.
- D. Automatic logoff of inactive users after a specified time period of inactivity.

Answer: C

NEW QUESTION 42

- (Exam Topic 1)

Which of the following are typical audit considerations for a review of authentication?

- * 1. Authentication policies and evaluation of controls transactions.
- * 2. Management of passwords, independent reconciliation, and audit trail.
- * 3. Control self-assessment tools used by management.
- * 4. Independent verification of data integrity and accuracy.

- A. 1, 2, and 3
- B. 1, 2, and 4
- C. 1, 3, and 4
- D. 2, 3, and 4

Answer: A

NEW QUESTION 43

- (Exam Topic 1)

Unsecured loans are loans:

- A. That do not have to be repaid for over one year.
- B. That appear to be too risky for most lenders to consider.
- C. Granted on the basis of a company's credit standing.
- D. Backed by mortgaged assets.

Answer: C

NEW QUESTION 46

- (Exam Topic 1)

Preferred stock is less risky for investors than is common stock because:

- A. Common stock pays dividends as a stated percentage of face value.
- B. Common stock has priority over preferred stock with regard to earnings and assets.
- C. Preferred dividends are usually cumulative.
- D. Preferred stock with no conversion feature has a higher dividend yield than does convertible preferred stock.

Answer: C

NEW QUESTION 50

- (Exam Topic 1)

Which of the following is not a method for implementing a new application system?

- A. Direct cutover.
- B. Parallel.
- C. Pilot.
- D. Test.

Answer: D

NEW QUESTION 52

- (Exam Topic 1)

Refer to the exhibit.

	Company A	Company B
Cash	\$100	\$200
Accounts receivable	unknown	\$100
Accounts payable	\$100	\$50
Long-term debt	\$200	\$50
Sales	\$600	\$5,800
Cost of goods sold	\$300	\$5,000
Administrative expenses	\$100	\$500
Depreciation expense	\$100	\$100
Interest expense	\$20	\$10

Presented below are partial year-end financial statement data (000 omitted from dollar amounts) for companies A and B: If company A has a quick ratio of 2:1, then it has an accounts receivable balance of:

- A. \$100
- B. \$200
- C. \$300
- D. \$500

Answer: A

NEW QUESTION 55

- (Exam Topic 1)

In which type of business environment are price cutting strategies and franchising strategies most appropriate?

- A. Embryonic, focused.
- B. Fragmented, decline.
- C. Mature, fragmented.
- D. Competitive, embryonic.

Answer: C

NEW QUESTION 56

- (Exam Topic 1)

Which of the following statements regarding program change management is not correct?

- A. The goal of the change management process is to sustain and improve organizational operations.
- B. The degree of risk associated with a proposed change determines if the change request requires authorization.
- C. In order to protect the production environment, changes must be managed in a repeatable, defined, and predictable manner.
- D. All changes should be tested in a non-production environment before migrating to the production environment.

Answer: B

NEW QUESTION 57

- (Exam Topic 1)

Which of the following statements regarding database management systems is not correct?

- A. Database management systems handle data manipulation inside the tables, rather than it being done by the operating system itself in files.
- B. The database management system acts as a layer between the application software and the operating system.
- C. Applications pass on the instructions for data manipulation which are then executed by the database management system.
- D. The data within the database management system can only be manipulated directly by the database management system administrator.

Answer: D

NEW QUESTION 59

- (Exam Topic 1)

Which of the following is always true regarding the use of encryption algorithms based on public key infrastructure (PKI)?

- A. PKI uses an independent administrator to manage the public key.
- B. The public key is authenticated against reliable third-party identification.
- C. PKI's public accessibility allows it to be used readily for e-commerce.
- D. The private key uniquely authenticates each party to a transaction.

Answer: D

NEW QUESTION 63

- (Exam Topic 1)

Which of the following describes the result if an organization records merchandise as a purchase, but fails to include it in the closing inventory count?

- A. The cost of goods sold for the period will be understated.
- B. The cost of goods sold for the period will be overstated.

- C. The net income for the period will be understated.
- D. There will be no effect on the cost of goods sold or the net income for the period.

Answer: B

NEW QUESTION 64

- (Exam Topic 1)

Which of the following methods, if used in conjunction with electronic data interchange (EDI), will improve the organization's cash management program, reduce transaction data input time and errors, and allow the organization to negotiate discounts with EDI vendors based on prompt payment?

- A. Electronic funds transfer.
- B. Knowledge-based systems.
- C. Biometrics.
- D. Standardized graphical user interface.

Answer: A

NEW QUESTION 66

- (Exam Topic 1)

During the last year, an organization had an opening inventory of \$300,000, purchases of \$980,000, sales of \$1,850,000, and a gross margin of 40 percent. What is the closing inventory if the periodic inventory system is used?

- A. \$170,000
- B. \$280,000
- C. \$300,000
- D. \$540,000

Answer: A

NEW QUESTION 70

- (Exam Topic 1)

Which of the following are included in ISO 31000 risk principles and guidelines?

- A. Standards, framework, and process.
- B. Standards, assessments, and process.
- C. Principles, framework, and process.
- D. Principles, practices, and process.

Answer: C

NEW QUESTION 73

- (Exam Topic 1)

Which of the following techniques would be least effective in resolving the conflict created by an internal audit client's perception of the audit report as a personal attack on his management performance?

- A. The auditor should focus on the audit client as a person and understand him, rather than just concentrating on the problem.
- B. The auditor should make recommendations based on objective criteria, rather than based on a subjective assessment.
- C. The auditor should explore alternative solutions to address the audit problem, so the audit client has options.
- D. The auditor should take a flexible position on the recommendations and focus on resolving the issue by addressing the interests of the people concerned.

Answer: A

NEW QUESTION 78

- (Exam Topic 1)

In order to provide useful information for an organization's risk management decisions, which of the following factors is least important to assess?

- A. The underlying causes of the risk.
- B. The impact of the risk on the organization's objectives.
- C. The risk levels of current and future events.
- D. The potential for eliminating risk factors.

Answer: D

NEW QUESTION 81

- (Exam Topic 1)

A capital investment project will have a higher net present value, everything else being equal, if it has:

- A. A higher initial investment level.
- B. A higher discount rate.
- C. Cash inflows that are larger in the later years of the life of the project.
- D. Cash inflows that are larger in the earlier years of the life of the project.

Answer: D

NEW QUESTION 84

- (Exam Topic 1)

Multinational organizations generally spend more time and effort to identify and evaluate:

- A. Internal strengths and weaknesses.
- B. Break-even points.
- C. External trends and events.
- D. Internal risk factors.

Answer: C

NEW QUESTION 89

- (Exam Topic 1)

If a bank's activities are categorized under such departments as community banking, institutional banking, and agricultural banking, what kind of departmentalization is being utilized?

- A. Product departmentalization.
- B. Process departmentalization.
- C. Functional departmentalization.
- D. Customer departmentalization.

Answer: D

NEW QUESTION 92

- (Exam Topic 1)

Which of the following is a characteristic of an emerging industry?

- A. Established strategy of players.
- B. Low number of new firms.
- C. High unit costs.
- D. Technical expertise.

Answer: C

NEW QUESTION 95

- (Exam Topic 1)

When developing an effective risk-based plan to determine audit priorities, an internal audit activity should start by:

- A. Identifying risks to the organization's operations.
- B. Observing and analyzing controls.
- C. Prioritizing known risks.
- D. Reviewing organizational objectives.

Answer: D

NEW QUESTION 100

- (Exam Topic 1)

Which of the following statements pertaining to a market skimming pricing strategy is not true?

- A. The strategy is favored when unit costs fall with the increase in units produced.
- B. The strategy is favored when buyers are relatively insensitive to price increases.
- C. The strategy is favored when there is insufficient market capacity and competitors cannot increase market capacity.
- D. The strategy is favored when high price is perceived as high quality.

Answer: A

NEW QUESTION 105

- (Exam Topic 1)

Which of the following statements about matrix organizations is false?

- A. In a matrix organization, conflict between functional and product managers may arise.
- B. In a matrix organization, staff under dual command is more likely to suffer stress at work.
- C. Matrix organizations offer the advantage of greater flexibility.
- D. Matrix organizations minimize costs and simplify communication.

Answer: D

NEW QUESTION 109

- (Exam Topic 1)

When an organization is choosing a new external auditor, which of the following is the most appropriate role for the chief audit executive to undertake?

- A. Review and acquire the external audit service.
- B. Assess the appraisal and actuarial services.
- C. Determine the selection criteria.
- D. Identify regulatory requirements to be considered.

Answer: D

NEW QUESTION 113

- (Exam Topic 1)

Which of the following is not a common feature of cumulative preferred stock?

- A. Priority over common stock with regard to dilution of shares.
- B. Priority over common stock with regard to earnings.
- C. Priority over common stock with regard to dividend payment.
- D. Priority over common stock with regard to assets.

Answer: A

NEW QUESTION 117

- (Exam Topic 1)

Which of the following statements regarding organizational governance is not correct?

- A. An effective internal audit function is one of the four cornerstones of good governance.
- B. Those performing governance activities are accountable to the customer.
- C. Accountability is one of the key elements of organizational governance.
- D. Governance principles and the need for an internal audit function are applicable to governmental and not-for-profit activities.

Answer: B

NEW QUESTION 120

- (Exam Topic 1)

An organization had three large centralized divisions: one that received customer orders for service work; one that scheduled the service work at customer locations; and one that answered customer calls about service problems. These three divisions were restructured into seven regional groups, each of which performed all three functions. One advantage of this restructuring would be:

- A. Better internal controls.
- B. Greater economies of scale.
- C. Improved work flow.
- D. Increased specialization.

Answer: C

NEW QUESTION 123

- (Exam Topic 1)

A brand manager in a consumer food products organization suspected that several days of the point-of-sale data on the spreadsheet from one grocery chain were missing. The best approach for detecting missing rows in spreadsheet data would be to:

- A. Sort on product identification code and identify missing product identification codes.
- B. Review store identification code and identify missing product identification codes.
- C. Compare product identification codes for consecutive periods.
- D. Compare product identification codes by store for consecutive periods.

Answer: D

NEW QUESTION 124

- (Exam Topic 1)

A chief audit executive (CAE) was asked to participate in the selection of an external auditor. Which of the following would not be a typical responsibility for the CAE?

- A. Evaluate the proposed external auditor fee.
- B. Recommend criteria to be used in the selection process.
- C. Develop appropriate performance metrics.
- D. Monitor the work of the external auditors.

Answer: C

NEW QUESTION 125

- (Exam Topic 1)

Which of the following are likely indicators of ineffective change management?

- * 1. IT management is unable to predict how a change will impact interdependent systems or business processes.
- * 2. There have been significant increases in trouble calls or in support hours logged by programmers.
- * 3. There is a lack of turnover in the systems support and business analyst development groups.
- * 4. Emergency changes that bypass the normal control process frequently are deemed necessary.

- A. 1 and 3 only
- B. 2 and 4 only
- C. 1, 2, and 4 only
- D. 1, 2, 3, and 4

Answer: C

NEW QUESTION 130

- (Exam Topic 1)

Which of the following statements is true regarding the use of public key encryption to secure data while it is being transmitted across a network?

- A. Both the key used to encrypt the data and the key used to decrypt the data are made public.
- B. The key used to encrypt the data is kept private but the key used to decrypt the data is made public.
- C. The key used to encrypt the data is made public but the key used to decrypt the data is kept private.
- D. Both the key used to encrypt the data and the key used to decrypt the data are made private.

Answer: C

NEW QUESTION 133

- (Exam Topic 1)

Which of the following statements about market signaling is correct?

- * 1. The organization releases information about a new product generation.
- * 2. The organization limits a challenger's access to the best source of raw materials or labor.
- * 3. The organization announces that it is fighting a new process technology.
- * 4. The organization makes exclusive arrangements with the channels.

- A. 1 and 3 only
- B. 1 and 4 only
- C. 2 and 3 only
- D. 2 and 4 only

Answer: A

NEW QUESTION 135

- (Exam Topic 1)

Which of the following costs would be incurred in an inventory stockout?

- A. Lost sales, lost customers, and backorder.
- B. Lost sales, safety stock, and backorder.
- C. Lost customers, safety stock, and backorder.
- D. Lost sales, lost customers, and safety stock.

Answer: A

NEW QUESTION 140

- (Exam Topic 1)

The decision to implement enhanced failure detection and back-up systems to improve data integrity is an example of which risk response?

- A. Risk acceptance.
- B. Risk sharing.
- C. Risk avoidance.
- D. Risk reduction.

Answer: D

NEW QUESTION 144

- (Exam Topic 1)

The economic order quantity for inventory is higher for an organization that has:

- A. Lower annual unit sales.
- B. Higher fixed inventory ordering costs.
- C. Higher annual carrying costs as a percentage of inventory value.
- D. A higher purchase price per unit of inventory.

Answer: B

NEW QUESTION 146

- (Exam Topic 1)

Which of the following describes the free trade zone in an e-commerce environment?

- A. Zone that separates an organization's servers from outside forces.
- B. Area in which messages are scrutinized to determine if they are authorized.
- C. Area where communication and transactions occur between trusted parties.
- D. Zone where data is encrypted, users are authenticated, and user traffic is filtered.

Answer: C

NEW QUESTION 149

- (Exam Topic 1)

The most important reason to use risk assessment in audit planning is to:

- A. Identify redundant controls.
- B. Improve budgeting accuracy.
- C. Enhance assurance provided to management.
- D. Assist in developing audit programs.

Answer: C

NEW QUESTION 151

- (Exam Topic 1)

Which of the following statements is correct regarding corporate compensation systems and related bonuses?

- * 1. A bonus system should be considered part of the control environment of an organization and should be considered in formulating a report on internal control.
- * 2. Compensation systems are not part of an organization's control system and should not be reported as such.
- * 3. An audit of an organization's compensation system should be performed independently of an audit of the control system over other functions that impact corporate bonuses.

- A. 1 only
- B. 2 only
- C. 3 only
- D. 2 and 3 only

Answer: A

NEW QUESTION 154

- (Exam Topic 1)

Which of the following is not included in the process of user authentication?

- A. Authorization.
- B. Identification.
- C. Verification.
- D. Validation.

Answer: A

NEW QUESTION 155

- (Exam Topic 1)

Which of the following borrowing options is an unsecured loan?

- A. Second-mortgage financing from a bank.
- B. An issue of commercial paper.
- C. Pledged accounts receivable.
- D. Asset-based financing.

Answer: B

NEW QUESTION 157

- (Exam Topic 1)

The internal audit activity completed an initial risk analysis of the organization's data storage center and found several areas of concern. Which of the following is the most appropriate next step?

- A. Risk response.
- B. Risk identification.
- C. Identification of context.
- D. Risk assessment.

Answer: D

NEW QUESTION 159

- (Exam Topic 1)

Which of the following steps should an internal auditor take during an audit of an organization's business continuity plans?

- * 1. Evaluate the business continuity plans for adequacy and currency.
- * 2. Prepare a business impact analysis regarding the loss of critical business.
- * 3. Identify key personnel who will be required to implement the plans.
- * 4. Identify and prioritize the resources required to support critical business processes.

- A. 1 only
- B. 2 and 4 only
- C. 1, 3, and 4 only
- D. 1, 2, 3, and 4

Answer: A

NEW QUESTION 164

- (Exam Topic 1)

According to Porter's model of competitive strategy, which of the following is a generic strategy?

- * 1. Differentiation.
- * 2. Competitive advantage.
- * 3. Focused differentiation.
- * 4. Cost focus.

- A. 2 only
- B. 3 and 4 only
- C. 1, 3, and 4 only
- D. 1, 2, 3, and 4

Answer: C

NEW QUESTION 169

- (Exam Topic 1)

Which of the following is the most likely reason an organization may decide to undertake a stock split?

- A. To keep stock price constant.
- B. To keep shareholders' equity constant.
- C. To increase shareholders' equity.
- D. To enhance the stock liquidity.

Answer: D

NEW QUESTION 170

- (Exam Topic 1)

Which of the following purchasing scenarios would gain the greatest benefit from implementing electronic data interchange?

- A. A time-sensitive just-in-time purchase environment.
- B. A large volume of custom purchases.
- C. A variable volume sensitive to material cost.
- D. A currently inefficient purchasing process.

Answer: A

NEW QUESTION 175

- (Exam Topic 1)

Which of the following statements is true regarding the roles and responsibilities associated with a corporate social responsibility (CSR) program?

- A. The board has overall responsibility for the internal control processes associated with the CSR program.
- B. Management has overall responsibility for the effectiveness of governance, risk management, and internal control processes associated with the CSR program.
- C. The internal audit activity is responsible for ensuring that CSR principles are integrated into the organization's policies and procedures.
- D. Every employee has a responsibility for ensuring the success of the organization's CSR objectives.

Answer: D

NEW QUESTION 177

- (Exam Topic 1)

Which of the following best describes the concept of relevant cost?

- A. A future cost that is the same among alternatives.
- B. A future cost that differs among alternatives.
- C. A past cost that is the same among alternatives.
- D. A past cost that differs among alternatives.

Answer: B

NEW QUESTION 178

- (Exam Topic 1)

Which of the following statements best describes the frameworks set forth by the International Standards Organization?

- A. Globally accepted standards for industries and processes.
- B. Bridging the gaps among control requirements, technical issues, and business risks.
- C. Practical guidance and benchmarks for all organizations that use information systems.
- D. Frameworks and guidance on enterprise risk management, internal control, and fraud deterrence.

Answer: A

NEW QUESTION 183

- (Exam Topic 1)

Which of the following best describes an objective for an audit of an environmental management system?

- A. To assess whether an annual control review is necessary.
- B. To determine conformance with requirements and agreements.
- C. To evaluate executive management oversight.
- D. To promote environmental awareness.

Answer: B

NEW QUESTION 187

- (Exam Topic 1)

The main reason to establish internal controls in an organization is to:

- A. Encourage compliance with policies and procedures.
- B. Safeguard the resources of the organization.
- C. Ensure the accuracy, reliability, and timeliness of information.
- D. Provide reasonable assurance on the achievement of objectives.

Answer:

D

NEW QUESTION 188

- (Exam Topic 1)

For a multinational organization, which of the following is a disadvantage of an ethnocentric staffing policy?

- * 1. It significantly raises compensation and staffing costs.
- * 2. It produces resentment among the organization's employees in host countries.
- * 3. It limits career mobility for parent-country nationals.
- * 4. It can lead to cultural myopia.

- A. 1 and 4 only
- B. 2 and 3 only
- C. 1, 2, and 3 only
- D. 1, 2, and 4 only

Answer: D

NEW QUESTION 192

- (Exam Topic 1)

Which of the following strategies would most likely prevent an organization from adjusting to evolving industry market conditions?

- A. Specializing in proven manufacturing techniques that have made the organization profitable in the past.
- B. Substituting its own production technology with advanced techniques used by its competitors.
- C. Forgoing profits over a period of time to gain market share from its competitors.
- D. Using the same branding to sell its products through new sales channels to target new markets.

Answer: A

NEW QUESTION 194

- (Exam Topic 1)

According to the Standards, which of the following is based on the assertion that the quality of an organization's risk management process should improve with time?

- A. Process element.
- B. Key principles.
- C. Maturity model.
- D. Assurance.

Answer: C

NEW QUESTION 195

- (Exam Topic 1)

An organization accumulated the following data for the prior fiscal year: Value of

Percentage of Quarter
Output Produced Cost X

- 1
\$4,750,000 2.9
- 2
\$4,700,000 3.0
- 3
\$4,350,000 3.2
- 4
\$4,000,000 3.5

Based on this data, which of the following describes the value of Cost X in relation to the value of Output Produced?

- A. Cost X is a variable cost.
- B. Cost X is a fixed cost.
- C. Cost X is a semi-fixed cost.
- D. Cost X and the value of Output Produced are unrelated.

Answer: B

NEW QUESTION 199

- (Exam Topic 1)

According to IIA guidance, which of the following would be a primary reason for an internal auditor to test the organization's IT contingency plan?

- A. To ensure that adequate controls exist to prevent any significant business interruptions.
- B. To identify and address potential security weaknesses within the system.
- C. To ensure that tests contribute to improvement of the program.
- D. To ensure that deficiencies identified by the audit are promptly addressed.

Answer: C

NEW QUESTION 200

- (Exam Topic 1)

In an analysis of alternative credit-management policies, which of the following components will cause the net present value of receivables on credit sales to increase, if everything else remains constant?

- A. A tougher collections policy that reduces the bad debt loss ratio.
- B. A higher cost per unit sold.
- C. A longer average collection period.
- D. An increase in the cost of capital.

Answer: A

NEW QUESTION 205

- (Exam Topic 1)

Refer to the exhibit.

Cash	\$100
Accounts receivable	200
Inventory	50
Net fixed assets	<u>600</u>
Total	\$950
Accounts payable	\$140
Long-term debt	300
Capital stock	260
Retained earnings	<u>250</u>
Total	\$950

A company's financial balance sheet is presented below: The company has net working capital of:

- A. \$160
- B. \$210
- C. \$350
- D. \$490

Answer: B

NEW QUESTION 210

- (Exam Topic 1)

Which of the following is the best reason for considering the acquisition of a nondomestic organization?

- A. Relatively fast market entry.
- B. Improved cash flow of the acquiring organization.
- C. Increased diversity of corporate culture.
- D. Opportunity to influence local government policy.

Answer: A

NEW QUESTION 215

- (Exam Topic 1)

A manager has difficulty motivating staff to improve productivity, despite establishing a lucrative individual reward system. Which of the following is most likely the cause of the difficulty?

- A. High degree of masculinity.
- B. Low uncertainty avoidance.
- C. High collectivism.
- D. Low long-term orientation.

Answer: C

NEW QUESTION 217

- (Exam Topic 1)

Which of the following is a major advantage of decentralized organizations, compared to centralized organizations?

- A. Decentralized organizations are more focused on organizational goals.
- B. Decentralized organizations streamline organizational structure.
- C. Decentralized organizations tend to be less expensive to operate.
- D. Decentralized organizations tend to be more responsive to market changes.

Answer: D

NEW QUESTION 221

- (Exam Topic 1)

Which of the following distinguishes the added-value negotiation method from traditional negotiating methods?

- A. Each party's negotiator presents a menu of options to the other party.
- B. Each party adopts one initial position from which to start.
- C. Each negotiator minimizes the information provided to the other party.
- D. Each negotiator starts with an offer, which is optimal from the negotiator's perspective.

Answer: A

NEW QUESTION 225

- (Exam Topic 1)

Which of the following is true regarding the COSO enterprise risk management framework?

- A. The framework categorizes an organization's objectives to distinct, non overlapping objectives.
- B. Control environment is one of the framework's eight components.
- C. The framework facilitates effective risk management, even if objectives have not been established.
- D. The framework integrates with, but is not dependent upon, the corresponding internal control framework.

Answer: D

NEW QUESTION 226

- (Exam Topic 1)

The cost to enter a foreign market would be highest in which of the following methods of global expansion?

- A. Joint ventures.
- B. Licensing.
- C. Exporting.
- D. Overseas production.

Answer: D

NEW QUESTION 231

- (Exam Topic 1)

Which of the following local area network physical layouts is subject to the greatest risk of failure if one device fails?

- A. Star network.
- B. Bus network.
- C. Token ring network.
- D. Mesh network.

Answer: C

NEW QUESTION 232

- (Exam Topic 1)

Which of the following statements is correct regarding risk analysis?

- A. The extent to which management judgments are required in an area could serve as a risk factor in assisting the auditor in making a comparative risk analysis.
- B. The highest risk assessment should always be assigned to the area with the largest potential loss.
- C. The highest risk assessment should always be assigned to the area with the highest probability of occurrence.
- D. Risk analysis must be reduced to quantitative terms in order to provide meaningful comparisons across an organization.

Answer: A

NEW QUESTION 234

- (Exam Topic 1)

A holding company set up a centralized group technology department, using a local area network with a mainframe computer to process accounting information for all companies within the group. An internal auditor would expect to find all of the following controls within the technology department except:

- A. Adequate segregation of duties between data processing controls and file security controls.
- B. Documented procedures for remote job entry and for local data file retention.
- C. Emergency and disaster recovery procedures and maintenance agreements in place to ensure continuity of operations.
- D. Established procedures to prevent and detect unauthorized changes to data files.

Answer: B

NEW QUESTION 239

- (Exam Topic 2)

Which of the following is an example of an application system control?

- A. Data values fall within a prescribed range.
- B. Error listings are generated and promptly remediated.
- C. Report distribution is restricted to authorized personnel.
- D. Field amounts contain an upper or lower limit.

Answer: A

NEW QUESTION 243

- (Exam Topic 2)

Which of the following is a typical example of structured data?

- A. Production information maintained in relational tables.
- B. Tweets and posts of users on social media.
- C. Photos and videos stored in hard drive catalogs.
- D. Sales reports documented in word processing software.

Answer: A

NEW QUESTION 248

- (Exam Topic 2)

An organization is developing a new online collaboration tool for employees. The tool includes a homepage that is customized to each employee according to his department and job function. Which of the following engagements should be conducted to ensure that the organization has included all departments and job functions in the system before it is implemented?

- A. An application control review
- B. A source code review
- C. A design review
- D. An access control review

Answer: C

NEW QUESTION 252

- (Exam Topic 2)

An organization has a total asset turnover of 3.0 times and a total debt-to-total assets ratio of 80 percent. If the organization has total debt of \$1 000 000, what is the organization's sales level?

- A. \$266.667
- B. \$416,667
- C. \$3,750,000
- D. \$5 000,000

Answer: C

NEW QUESTION 255

- (Exam Topic 2)

The head of the research and development department at a manufacturing organization believes that his team lacks expertise in some areas, and he decides to hire more experienced researchers to assist in the development of a new product. Which of the following variances are likely to occur as the result of this decision?

- * 1. Favorable labor efficiency variance.
- * 2. Adverse labor rate variance.
- * 3. Adverse labor efficiency variance.
- * 4. Favorable labor rate variance.

- A. 1 and 2.
- B. 1 and 4.
- C. 3 and 4.
- D. 2 and 3.

Answer: A

NEW QUESTION 257

- (Exam Topic 2)

Which of the following types of analytics focuses less on analysis and more on condensing data into more meaningful pieces of information?

- A. Diagnostic analytics
- B. Descriptive analytics
- C. Prescriptive analytics
- D. Predictive analytics

Answer: C

NEW QUESTION 262

- (Exam Topic 2)

Which of the following methods is most closely associated to year over year trends?

- A. Horizontal analysis
- B. Vertical analysis
- C. Common-size analysis
- D. Ratio analysis

Answer: A

NEW QUESTION 267

- (Exam Topic 2)

According to Herzberg's Two-Factor Theory of Motivation, which of the following factors are mentioned most often by satisfied employees?

- A. Salary and status
- B. Responsibility and advancement
- C. Work conditions and security
- D. Peer relationships and personal life

Answer: B

NEW QUESTION 268

- (Exam Topic 2)

A bicycle manufacturer incurs a combination of fixed and variable costs with the production of each bicycle. Which of the following statements is true regarding recording these costs?

- A. If the number of bicycles produced is increased by 15 percent, the variable cost per unit will increase proportionally.
- B. The fixed cost per unit will vary directly based on the number of bicycles produced during the production cycle.
- C. The total variable cost will vary proportionally and inversely with the number of bicycles produced during a production run.
- D. If the number of bicycles produced is increased by 30 percent, the fixed cost per unit will decline.

Answer: D

NEW QUESTION 269

- (Exam Topic 2)

Which of the following is a cybersecurity monitoring activity that involves assessing the strength of an organization's IT protection?

- A. Boundary defense
- B. Malware defense
- C. Penetration tests
- D. Wireless access controls

Answer: A

NEW QUESTION 273

- (Exam Topic 2)

An organization has a complex systems infrastructure consisting of multiple internally developed, off the shelf, and purchased but significantly customized applications. Some of these applications share databases or process data that is used by another stand-alone application, and interfaces have been written to move data between these applications as needed through batch processing. Which of the following situations presents the greatest risk exposure given this environment?

- A. Documentation of each system and its interactions, interfaces, and dependencies with other systems and databases is not gathered and maintained.
- B. Batch processing jobs include key financial data that is not posted to the accounting system until the next day.
- C. Preventing real-time queries.
- D. The job scheduling tool frequently malfunctions, causing scheduled jobs not to run.
- E. An error message is sent to IT personnel when a job fails.
- F. The implementation of a major update for a key application is delayed until any potential interdependencies are identified and analyzed.

Answer: A

NEW QUESTION 275

- (Exam Topic 2)

An internal auditor is using data analytics to focus on high-risk areas during an engagement. The auditor has obtained data and is working to eliminate redundancies in the data. Which of the following statements is true regarding this scenario?

- A. The auditor is normalizing data in preparation for analyzing it.
- B. The auditor is analyzing the data in preparation for communicating the results.
- C. The auditor is cleaning the data in preparation for determining which processes may be involved.
- D. The auditor is reviewing the data prior to defining the question.

Answer: A

NEW QUESTION 280

- (Exam Topic 2)

Which of the following storage options would give the organization the best chance of recovering data?

- A. Encrypted physical copies of the data and their encryption keys are stored together at the organization and are readily available upon request.
- B. Encrypted physical copies of the data are stored separately from their encryption keys and both are held in secure locations a few hours away from the organization.
- C. Encrypted reports on usage and database structure changes are stored on a cloud-based system.
- D. Secured database that is readily accessible.
- E. Encrypted copies of the data are stored in a separate secure location a few hours away while the encryption keys are stored at the organization and are readily available.

Answer: D

NEW QUESTION 285

- (Exam Topic 2)

Which of the following statements is true regarding the capital budgeting procedure known as discounted payback period?

- A. It calculates the overall value of a project.
- B. It ignores the time value of money.
- C. It calculates the time a project takes to break even.
- D. It begins at time zero for the project.

Answer: C

NEW QUESTION 290

- (Exam Topic 2)

Which type of bond sells at a discount from face value, then increases in value annually until it reaches maturity and provides the owner with the total payoff?

- A. High-yield bonds.
- B. Commodity-backed bonds.
- C. Zero coupon bonds.
- D. Junk bonds.

Answer: C

NEW QUESTION 291

- (Exam Topic 2)

Which of the following is a key responsibility of a database administrator?

- A. Troubleshoot end user problems
- B. Provide production support.
- C. Provide physical security of databases
- D. Maintain database integrity

Answer: D

NEW QUESTION 294

- (Exam Topic 2)

A retail organization mistakenly did not include \$10,000 of inventory in the physical count at the end of the year. What was the impact to the organization's financial statements?

- A. Cost of sales and net income are understated
- B. Cost of sales and net income are overstated
- C. Cost of sales is understated and net income is overstated.
- D. Cost of sales is overstated and net income is understated.

Answer: C

NEW QUESTION 299

- (Exam Topic 2)

Division A produces a product with a variable cost of \$5 per unit and an allocated fixed cost of \$3 per unit. The market price of the product is \$15 plus 20 percent selling cost. Division B currently purchases this product from an external supplier but is going to purchase it from division A for \$18. Which of the following methods of transfer pricing is being used?

- A. Market price.
- B. Negotiation-based.
- C. Full absorption cost
- D. Variable cost

Answer: A

NEW QUESTION 303

- (Exam Topic 2)

How do data analysis technologies affect internal audit testing?

- A. They improve the effectiveness of spot check testing techniques
- B. They allow greater insight into high risk areas.
- C. They reduce the overall scope of the audit engagement.
- D. They increase the internal auditor's objectivity

Answer: B

NEW QUESTION 307

- (Exam Topic 2)

Which of the following application controls can be defined as controls that monitor data being processed and in storage to ensure it remains consistent and correct?

- A. Input controls
- B. Output controls
- C. Integrity controls
- D. Processing controls

Answer: C

NEW QUESTION 311

- (Exam Topic 2)

Which of the following statements is true regarding reversing entries in an accounting cycle?

- A. Reversing all previous closing adjustments is a mandatory step in the accounting cycle
- B. Reversing entries should be completed at the end of the next accounting period after recording regular transactions of the period
- C. Reversing entries are identical to the adjusting entries made in the previous period.
- D. Reversing entries are the exact opposite of the adjustments made in the previous period.

Answer: D

NEW QUESTION 315

- (Exam Topic 2)

Which of the following types of analytics would be used by an organization to examine metrics by business units and identify the most profitable business units?

- A. Detailed analytics
- B. Predictive analytics
- C. Diagnostic analytics
- D. Prescriptive analytics

Answer: D

NEW QUESTION 316

- (Exam Topic 2)

Which of the following statements is true regarding the risks associated with the increased use of smart devices at work?

- A. Due to their small size and portability smart devices and their associated data are typically less susceptible to physical loss
- B. The Bluetooth and WI-FI features of smart devices enhance the security of data while in transit
- C. The global positioning system (GPS) capability of smart devices could be exploited to plan cyberattacks
- D. When the user fads to perform jailbreaking or rooting, data security and privacy risks we increased

Answer: C

NEW QUESTION 320

- (Exam Topic 2)

Organizations mat adopt just-in-time purchasing systems often experience which of the following?

- A. A slight increase in carrying costs.
- B. A greater need for inspection of goods as the goods arrive.
- C. A greater need for linkage with a vendor s computerized order entry system.
- D. An increase in the number of suitable suppliers

Answer: C

NEW QUESTION 322

- (Exam Topic 2)

Which of the following is a systems software control?

- A. Restricting server room access to specific individuals
- B. Housing servers with sensitive software away from environmental hazards.
- C. Ensuring that ail user requirements are documented.
- D. Performing of intrusion testing on a regular basis

Answer: A

NEW QUESTION 327

- (Exam Topic 2)

An internal auditor is reviewing the organization's performance appraisal process. Which of the following methods would be most effective to identify stereotyping?

- A. Use a behaviorally anchored rating scale to Break down jobs into their components.
- B. Analyze and compare the ratings for different classes or groupings of employees.
- C. Compare the ratings of selective employees with their previous appraisals.
- D. Analyze the number and percentages of employee appraisals that fall into each rating category

Answer: C

NEW QUESTION 330

- (Exam Topic 2)

Based on lest results an IT auditor concluded that the organization would suffer unacceptable toss of data if there was a disaster at its data center. Which of the following test results would likely lead the auditor to this conclusion?

- A. Requested backup tapes were not returned from the offsite vendor in a timely manner
- B. Returned backup tapes from the offsite vendor contained empty spaces
- C. Critical systems have been Backed up more frequently than required.
- D. Critical system backup tapes are taken off site less frequently than required.

Answer: D

NEW QUESTION 332

- (Exam Topic 2)

Which of the following is the most effective control to prevent unauthorized entrance of a former employee of the organization?

- A. Revoking the former employee's biometrics from the entrance systems
- B. Installing security guards who have undergone a background check at all entrances.

- C. Installing multiple high-powered surveillance cameras throughout the organization
- D. Keeping doors locked and accessible with a key that is provided only to employees

Answer: A

NEW QUESTION 337

- (Exam Topic 2)

An internal auditor was asked to review an equal equity partnership. In one sampled transaction, Partner A transferred equipment into the partnership with a self-declared value of \$10,000 and Partner B contributed equipment with a self-declared value of \$15,000. The capital accounts of each partner were subsequently credited with \$12,500. Which of the following statements is true regarding this transaction?

- A. The capital accounts of the partners should be increased by the original cost of the contributed equipment.
- B. The capital accounts should be increased using a weighted average based on the current percentage of ownership.
- C. No action is needed as the capital account of each partner was increased by the correct amount.
- D. The capital accounts of the partners should be increased by the fair market value of their contribution.

Answer: C

NEW QUESTION 339

- (Exam Topic 2)

A large hospital has an existing contract with a vendor in another country to provide software support and maintenance of the hospital's patient records information system. From the hospital management's perspective, which of the following controls would be most effective to address privacy risks related to this outsourcing arrangement?

- A. Conduct periodic reviews of the privacy policy to ensure that the existing policy meets current legislation requirements in both regions.
- B. Include a "right to audit" clause in the contract and impose detailed security obligations on the outsourced vendor.
- C. Implement mandatory privacy training for management to help with identifying privacy risks when outsourcing services.
- D. Develop an incident monitoring and response plan to track breaches from internal and external sources.

Answer: A

NEW QUESTION 341

- (Exam Topic 2)

Which of the following statements is true regarding the reporting of tangible and intangible assets?

- A. For plant assets, cost includes the purchase price and the cost of design and construction.
- B. For intangible assets, cost includes the purchase price and development costs.
- C. Due to their indefinite nature, intangible assets are not subject to amortization.
- D. The organization must expense any cost incurred in developing a plant asset.

Answer: C

NEW QUESTION 346

- (Exam Topic 2)

The board has requested that the internal audit activity be involved in all phases of the organization's outsourcing of its network management. During which of the following stages is the internal auditor most likely to verify that the organization's right-to-audit clause is drafted effectively?

- A. Implementation and transition phase.
- B. Monitoring and reporting phase.
- C. Decision-making and business-case phase.
- D. Tendering and contracting phase.

Answer: D

NEW QUESTION 348

- (Exam Topic 2)

An internal auditor is reviewing results from software development integration testing. What is the purpose of integration testing?

- A. To verify that the application meets stated user requirements.
- B. To verify that standalone programs match code specifications.
- C. To verify that the application would work appropriately for the intended number of users.
- D. To verify that all software and hardware components work together as intended.

Answer: D

NEW QUESTION 352

- (Exam Topic 2)

Data encryption is an example of which of the following controls?

- A. Application control.
- B. IT general control.
- C. Data input control.
- D. Data output control.

Answer: B

NEW QUESTION 354

- (Exam Topic 2)

An organization uses the management-by-objectives method, whereby employee performance is based on defined goals Which of the following statements is true regarding this approach?

- A. It is particularly helpful to management when the organization is facing rapid change
- B. It is a more successful approach when adopted by mechanistic organizations
- C. It is more successful when goal-setting is performed not only by management, but by an team members, including lower-level staff.
- D. It is particularly successful in environments that are prone to having poor employer-employee relations

Answer: C

NEW QUESTION 356

- (Exam Topic 2)

According to MA guidance, which of the following best describes an adequate management (audit) trail application control for the general ledger?

- A. Report identifying data that is outside of system parameters
- B. Report identifying general ledger transactions by time and individual
- C. Report comparing processing results with original input
- D. Report confirming that the general ledger data was processed without error.

Answer: B

NEW QUESTION 359

- (Exam Topic 2)

An organization with an annual demand of 25,000 units correctly computes its economic order quantity to be 1,000 units Its safety stock is 300 units and the lead time is two days If there are 250 production days in a year what is the reorder point?

- A. 200 units.
- B. 300 units.
- C. 500 units.
- D. 1,000 units.

Answer: C

NEW QUESTION 360

- (Exam Topic 2)

Which of the following factors is most likely to lead to a lack of cohesiveness in a project team?

- A. Prestige
- B. Small size.
- C. Competition
- D. Common threat

Answer: A

NEW QUESTION 363

- (Exam Topic 2)

Which of the following security controls focuses most on prevention of unauthorized access to the power plant?

- A. An offboarding procedure is initiated monthly to determine redundant physical access rights
- B. Logs generated by smart locks are automatically scanned to identify anomalies in access patterns
- C. Requests for additional access rights are sent for approval and validation by direct supervisors
- D. Automatic notifications are sent to a central security unit when employees enter the premises during nonwork hours

Answer: C

NEW QUESTION 365

- (Exam Topic 2)

Operational management in the IT department has introduced performance evaluation policies that are linked to employees achieving continuing education hours. This activity is designed to prevent which of the following conditions?

- A. Knowledge/skills gap
- B. Monitoring gap
- C. Accountability/reward failure.
- D. Communication failure.

Answer: A

NEW QUESTION 369

- (Exam Topic 2)

Which of the following factors is most responsible for the increasing risk that unauthorized parties may obtain or tamper with personal data?

- A. The lack of legal and industry frameworks on privacy.
- B. The absence of generally accepted privacy principles.
- C. The rapid growth and evolution of technology.
- D. The legislated need to retain sensitive personal information.

Answer: C

NEW QUESTION 372

- (Exam Topic 2)

According to IIA guidance, which of the following best describes the activities that occur during the conversion phase of an IT project?

- A. Conversion of user requirements into system specifications
- B. Conversion of user requirements into program codes
- C. Conversion of test data into production data
- D. Conversion of data from the old system into the new system

Answer: D

NEW QUESTION 375

- (Exam Topic 2)

An organization's network administrator received an email that appeared to come from the organization's external IT service provider requesting his credentials to perform an update of a server operating system. If the IT service provider did not send the email, which of the following best describes the likely purpose of the email?

- A. An attempt at phishing.
- B. An attempt at penetration testing
- C. An attempt to patch the server
- D. An attempt to launch malware

Answer: A

NEW QUESTION 377

- (Exam Topic 2)

Which of the following is an example of a physical control?

- A. Providing fire detection and suppression equipment
- B. Establishing a physical security policy and promoting it throughout the organization
- C. Performing business continuity and disaster recovery planning
- D. Keeping an offsite backup of the organization's critical data

Answer: A

NEW QUESTION 382

- (Exam Topic 2)

According to Maslow's hierarchy of needs theory, which of the following best describes a strategy where a manager offers an assignment to a subordinate specifically to support his professional growth and future advancement?

- A. Esteem by colleagues
- B. Self-fulfillment
- C. Sense of belonging in the organization
- D. Job security

Answer: B

NEW QUESTION 386

- (Exam Topic 2)

An organization has received funding to continue a program that utilizes an in-house application. Due to new legislative requirements the application will require additional features to capture information not previously collected. Which of the following is the most critical for completing this specific project?

- A. A detailed budget that identifies hardware resources for the project
- B. A Gantt chart that identifies the critical path for completing the project
- C. Change management controls to avoid technical conflicts within the application
- D. A project plan with a flexible scope to accommodate legislative requirements

Answer: C

NEW QUESTION 390

- (Exam Topic 2)

During an audit of the organization's annual financial statements, the internal auditor notes that the current cost of goods sold percentage is substantially higher than in prior years. Which of the following is the most likely explanation for this increase?

- A. Cost of raw material inventory items is decreasing.
- B. Process to manufacture goods is more efficient.
- C. Labor productivity to produce goods is increasing.
- D. Write-off of inventory is increasing.

Answer: A

NEW QUESTION 395

- (Exam Topic 2)

Which of the following is an example of a physical security control that should be in place at an organization's data center?

- A. Backup servers in the data center are stored in an environmentally controlled location
- B. All users have a unique ID and password to access data
- C. Swipe cards are used to access the data center
- D. Firewalls and antivirus protection are in place to prevent unauthorized access to data.

Answer: C

NEW QUESTION 400

- (Exam Topic 2)

Which of the following responsibilities would ordinarily fall under the help desk function of an organization?

- A. Maintenance service items such as production support
- B. Management of infrastructure services including network management
- C. Physical hosting of mainframes and distributed servers
- D. End-to-end security architecture design

Answer: B

NEW QUESTION 405

- (Exam Topic 2)

Which of the following statements is true regarding an organization's servers?

- A. Servers optimize data processing by sharing it with other computers on the information system
- B. Servers manage the interconnectivity of system hardware devices in the information system.
- C. Servers manage the data stored in databases residing on the information system.
- D. Servers enforce access controls between networks transmitting data on the information system

Answer: B

NEW QUESTION 407

- (Exam Topic 2)

According to MA guidance on IT, which of the following would be considered a primary control for a spreadsheet to help ensure accurate financial reporting?

- A. Formulas and static data are locked or protected.
- B. The spreadsheet is stored on a network server that is backed up daily.
- C. The purpose and use of the spreadsheet are documented.
- D. Check-in and check-out software is used to control versions.

Answer: A

NEW QUESTION 408

- (Exam Topic 2)

Which of the following concepts of managerial accounting is focused on allocating overheads to products?

- A. Theory of constraints
- B. Just-in-time method
- C. Activity-based costing
- D. Break-even analysis

Answer: C

NEW QUESTION 410

- (Exam Topic 2)

Which of the following situations best applies to an organization that uses a project rather than a process to accomplish its business activities?

- A. A clothing company designs, makes and sells a new item.
- B. A commercial constructor company is hired to build a warehouse.
- C. A city department sets up a new firefighter training program.
- D. A manufacturing organization acquires component parts from a contracted vendor

Answer: B

NEW QUESTION 411

- (Exam Topic 2)

Which of the following represents an inventory costing technique that can be manipulated by management to boost net income by selling units purchased at a low cost?

- A. First-in first-out method (FIFO)
- B. Last-in first-out method (LIFO)
- C. Specific identification method
- D. Average-cost method

Answer: A

NEW QUESTION 416

- (Exam Topic 2)

What is the most significant potential problem introduced by just-in-time inventory systems?

- A. They require significant computer resources.
- B. They are susceptible to supply-chain disruptions.
- C. They require complicated materials-supply contracts.
- D. They prevent manufacturers from scaling up or down to meet changing demands.

Answer: B

NEW QUESTION 417

- (Exam Topic 2)

Which of the following application controls checks the integrity of data entered into a business application?

- A. Input controls.
- B. Output controls
- C. Processing controls
- D. Integrity controls

Answer: A

NEW QUESTION 420

- (Exam Topic 2)

Which of the following is improved by the use of smart devices?

- A. Version control
- B. Privacy
- C. Portability
- D. Secure authentication

Answer: C

NEW QUESTION 425

- (Exam Topic 2)

Which of the following types of data analytics would be used by a hospital to determine which patients are likely to require readmittance for additional treatment?

- A. Predictive analytics
- B. Prescriptive analytics
- C. Descriptive analytics
- D. Diagnostic analytics

Answer: A

NEW QUESTION 430

- (Exam Topic 2)

Which of the following is true of both a job order cost system and a process cost system?

- A. Total manufacturing costs are determined at the end of each period.
- B. Costs are summarized in a production cost report for each department
- C. Three manufacturing cost elements are tracked: direct materials, direct labor, and manufacturing overhead.
- D. The unit cost can be calculated by dividing the total manufacturing costs for the period by the units produced during the period

Answer: C

NEW QUESTION 432

- (Exam Topic 2)

Which of the following is true of matrix organizations?

- A. A unity-of-command concept requires employees to report technically, functionally, and administratively to the same manager
- B. A combination of product and functional departments allows management to utilize personnel from various functions
- C. Authority, responsibility, and accountability of the units involved may vary based on the project's life, or the organization's culture
- D. It is best suited for firms with scattered locations or for multi-lir
- E. large-scale firms

Answer: B

NEW QUESTION 433

- (Exam Topic 2)

What would be the effect if an organization paid one of its liabilities twice during the year in error?

- A. Assets, liabilities, and owners' equity would be understated
- B. Assets, net income, and owners' equity would be unaffected
- C. Assets and liabilities would be understated
- D. Assets, net income, and owners' equity would be understated, but liabilities would be overstated

Answer:

B

NEW QUESTION 437

- (Exam Topic 2)

A restaurant decided to expand its business to include delivery services rather than relying on third-party food delivery services. Which of the following best describes the restaurant's strategy?

- A. Diversification
- B. Vertical integration
- C. Risk avoidance
- D. Differentiation

Answer: B

NEW QUESTION 440

- (Exam Topic 2)

Which of the following is most important for an internal auditor to check with regard to the database version?

- A. Verify whether the organization uses the most recent database software version
- B. Verify whether the database software version is supported by the vendor.
- C. Verify whether the database software version has been recently upgraded
- D. Verify whether access to database version information is appropriately restricted

Answer: B

NEW QUESTION 441

- (Exam Topic 2)

Which of the following is a characteristic of using a hierarchical control structure?

- A. Less use of policies and procedures
- B. Less organizational commitment by employees
- C. Less emphasis on extrinsic rewards
- D. Less employees turnover

Answer: B

NEW QUESTION 442

- (Exam Topic 2)

The leadership of an organization encourages employees to form voluntary problem-solving groups whereby several employees from the same work area meet regularly during work hours to discuss improvements and creative ways to reduce costs. Which of the following best describes this approach?

- A. Open-book management
- B. Quality control circles
- C. Self-managed teams
- D. Cross-functional teams

Answer: C

NEW QUESTION 443

- (Exam Topic 2)

Which of the following most accurately describes the purpose of application authentication controls?

- A. To ensure that data input into business applications is valid, complete, and accurate.
- B. To prevent or detect errors in data processed using business applications.
- C. To ensure that business applications are protected from unauthorized logical access.
- D. To ensure the validity, accuracy, and completeness of outputs from business applications.

Answer: C

NEW QUESTION 444

- (Exam Topic 2)

Which of the following examples demonstrates that the internal audit activity uses descriptive analytics in its engagements?

- A. An internal auditor analyzed electricity production and sales interim reports and compiled a risk assessment.
- B. An internal auditor extracted sales data to a spreadsheet and applied judgmental analysis for sampling.
- C. An internal auditor classified solar panel sales by region and discovered unsuccessful sales representatives.
- D. An internal auditor broke down a complex process into smaller pieces to make it more understandable.

Answer: A

NEW QUESTION 445

- (Exam Topic 2)

Which of the following statements is true regarding the "management-by-objectives" method?

- A. Management by objectives is most helpful in organizations that have rapid changes.
- B. Management by objectives is most helpful in mechanistic organizations with rigidly defined tasks.

- C. Management by objectives helps organizations to keep employees motivated.
- D. Management by objectives helps organizations to distinguish clearly strategic goals from operational goals

Answer: C

NEW QUESTION 448

- (Exam Topic 2)

When using data analytics during a review of the procurement process what is the first step in the analysis process?

- A. Identify data anomalies and outliers
- B. Define questions to be answered
- C. identify data sources available
- D. Determine the scope of the data extract

Answer: C

NEW QUESTION 451

- (Exam Topic 2)

Which of the following bring-your-own-device (BYOD) practices is likely to increase the risk of infringement on local regulations such as copyright or privacy laws?

- A. Not installing anti-malware software
- B. Updating operating software in a haphazard manner
- C. Applying a weak password for access to a mobile device
- D. Jailbreaking a locked smart device.

Answer: D

NEW QUESTION 452

- (Exam Topic 2)

Which of the following should be established by management during implementation of big data systems to enable ongoing production monitoring?

- A. Key performance indicators
- B. Reports of software customization
- C. Change and patch management
- D. Master data management

Answer: A

NEW QUESTION 457

- (Exam Topic 2)

The mobility of personal smart devices significantly increases which of the following risks?

- A. Data integrity risks
- B. Compliance risks.
- C. Physical security risks
- D. Privacy risks

Answer: C

NEW QUESTION 460

- (Exam Topic 2)

Which of the following statements is true regarding a bring-your-own-device (BYOD) environment?

- A. There is a greater need for organizations to rely on users to comply with policies and procedures.
- B. With fewer devices owned by the organization, there is reduced need to maintain documented policies and procedures.
- C. Incident response times are less critical in the BYOD environment
- D. compared to a traditional environment
- E. There is greater sharing of operational risk in a BYOD environment.

Answer: A

NEW QUESTION 461

- (Exam Topic 2)

A remote location contains a data center with hardware available to support critical production systems as required in the recovery plan IT personnel periodically test and update systems at the data center. This is an example of which of the following recovery solutions?

- A. Cold recovery plan
- B. Critical recovery plan
- C. Warm recovery plan
- D. Tested recovery plan

Answer: C

NEW QUESTION 466

- (Exam Topic 2)

Which of the following stages of contracting focuses on aligning the markets with objectives of the organization?

- A. Initiation stage
- B. Bidding stage
- C. Development stage
- D. Negotiation stage

Answer: D

NEW QUESTION 467

- (Exam Topic 2)

Which of the following recognized competitive strategies focuses on gaining efficiencies?

- A. Focus
- B. Cost leadership
- C. Innovation
- D. Differentiation

Answer: B

NEW QUESTION 469

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