

# 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 is true regarding an organization's relationship with external stakeholders?

- A. Specific guidance must be followed when interacting with nongovernmental organizations.
- B. Disclosure laws tend to be consistent from one jurisdiction to another.
- C. There are several internationally recognized standards for dealing with financial donors.
- D. Legal representation should be consulted before releasing internal audit information to other assurance providers.

**Answer: D**

#### 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 factors would reduce dissatisfaction for a management trainee but would not particularly motivate the trainee?

- A. A sense of achievement.
- B. Promotion.
- C. Recognition.
- D. An incremental increase in salary.

**Answer: D**

#### NEW QUESTION 4

- (Exam Topic 1)

An internal auditor is reviewing physical and environmental controls for an IT organization. Which control activity should not be part of this review?

- A. Develop and test the organization's disaster recovery plan.
- B. Install and test fire detection and suppression equipment.
- C. Restrict access to tangible IT resources.
- D. Ensure that at least one developer has access to both systems and operations.

**Answer: D**

#### NEW QUESTION 5

- (Exam Topic 1)

A software that translates hypertext markup language (HTML) documents and allows a user to view a remote web page is called:

- A. A transmission control protocol/Internet protocol (TCP/IP).
- B. An operating system.
- C. A web browser.
- D. A web server.

**Answer: C**

#### NEW QUESTION 6

- (Exam Topic 1)

Listening effectiveness is best increased by:

- A. Resisting both internal and external distractions.
- B. Waiting to review key concepts until the speaker has finished talking.
- C. Tuning out messages that do not seem to fit the meeting purpose.
- D. Factoring in biases in order to evaluate the information being given.

**Answer: A**

#### 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)

Which of the following standards would be most useful in evaluating the performance of a customer-service group?

- A. The average time per customer inquiry should be kept to a minimum.
- B. Customer complaints should be processed promptly.
- C. Employees should maintain a positive attitude when dealing with customers.
- D. All customer inquiries should be answered within seven days of receipt.

**Answer:** D

**NEW QUESTION 9**

- (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)

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 10**

- (Exam Topic 1)

A retail organization is considering acquiring a composite textile company. The retailer's due diligence team determined the value of the textile company to be \$50 million. The financial experts forecasted net present value of future cash flows to be \$60 million. Experts at the textile company determined their company's market value to be \$55 million if purchased by another entity. However, the textile company could earn more than \$70 million from the retail organization due to synergies. Therefore, the textile company is motivated to make the negotiation successful. Which of the following approaches is most likely to result in a successful negotiation?

- A. Develop a bargaining zone that lies between \$50 million and \$70 million and create sets of outcomes between \$50 million and \$70 million.
- B. Adopt an added-value negotiating strategy, develop a bargaining zone between \$50 million and \$70 million, and create sets of outcomes between \$50 million and \$70 million.
- C. Involve a mediator as a neutral party who can work with the textile company's management to determine a bargaining zone.
- D. Develop a bargaining zone that lies between \$55 million and \$60 million and create sets of outcomes between \$55 million and \$60 million.

**Answer:** D

**NEW QUESTION 11**

- (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 15**

- (Exam Topic 1)

Which stage of group development is characterized by a decrease in conflict and hostility among group members and an increase in cohesiveness?

- A. Forming stage.
- B. Norming stage.
- C. Performing stage.
- D. Storming stage.

**Answer:** B

**NEW QUESTION 17**

- (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 18**

- (Exam Topic 1)

An organization needs to borrow a large amount of cash to fund its expansion plan. Which of the following annual interest rates is least expensive?

- A. 7 percent simple interest with a 10 percent compensating balance.
- B. 7 percent simple interest paid at the end of each year.
- C. 7 percent discount interest.
- D. 7 percent compounding interest.

**Answer: B**

#### **NEW QUESTION 21**

- (Exam Topic 1)

Which of the following is not a barrier to effective communication?

- A. Filtering.
- B. Communication overload.
- C. Similar frames of reference.
- D. Lack of source credibility.

**Answer: C**

#### **NEW QUESTION 23**

- (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 25**

- (Exam Topic 1)

Under a value-added taxing system:

- A. Businesses must pay a tax only if they make a profit.
- B. The consumer ultimately bears the cost of the tax through higher prices.
- C. Consumer savings are discouraged.
- D. The amount of value added is the difference between an organization's sales and its cost of goods sold.

**Answer: B**

#### **NEW QUESTION 26**

- (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 29**

- (Exam Topic 1)

Which of the following actions is most likely to gain support for process change?

- A. Set clear objectives.
- B. Engage the various communities of practice within the organization.
- C. Demonstrate support from senior management.
- D. Establish key competencies.

**Answer:** B

**NEW QUESTION 32**

- (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 33**

- (Exam Topic 1)

Which of the following corporate social responsibility strategies is likely to be most effective in minimizing confrontations with influential activists and lobbyists?

- A. Continually evaluate the needs and opinions of all stakeholder groups.
- B. Ensure strict compliance with applicable laws and regulations to avoid incidents.
- C. Maintain a comprehensive publicity campaign that highlights the organization's efforts.
- D. Increase goodwill through philanthropic activities among stakeholder communities.

**Answer:** A

**NEW QUESTION 37**

- (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 39**

- (Exam Topic 1)

Providing knowledge, motivating organizational members, controlling and coordinating individual efforts, and expressing feelings and emotions are all functions of:

- A. Motivation.
- B. Performance.
- C. Organizational structure.
- D. Communication.

**Answer:** D

**NEW QUESTION 42**

- (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 44**

- (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 49**

- (Exam Topic 1)

Which of the following are appropriate reasons for internal auditors to document processes as part of an audit engagement?

- \* 1. To determine areas of primary concern.
- \* 2. To establish a standard format for process mapping.
- \* 3. To define areas of responsibility within the organization.
- \* 4. To assess the performance of employees.

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

**Answer:** B

#### NEW QUESTION 51

- (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 52

- (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 56

- (Exam Topic 1)

Which of the following price adjustment strategies encourages prompt payment?

- A. Cash discounts.
- B. Quantity discounts.
- C. Functional discounts.
- D. Seasonal discounts.

**Answer:** A

#### NEW QUESTION 59

- (Exam Topic 1)

At what point during the systems development process should an internal auditor verify that the new application's connectivity to the organization's other systems has been established correctly?

- A. Prior to testing the new application.
- B. During testing of the new application.
- C. During implementation of the new application.
- D. During maintenance of the new application.

**Answer:** A

#### NEW QUESTION 62

- (Exam Topic 1)

Which of the following is a strategy that organizations can use to stimulate innovation?

- \* 1. Source from the most advanced suppliers.
- \* 2. Establish employee programs that reward initiative.
- \* 3. Identify best practice competitors as motivators.
- \* 4. Ensure that performance targets are always achieved.

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

**Answer:** C

#### NEW QUESTION 63

- (Exam Topic 1)

According to Porter, which of the following is associated with fragmented industries?

- A. Weak entrance barriers.
- B. Significant scale economies.
- C. Steep experience curve.
- D. Strong negotiation power with suppliers.

**Answer:** A

#### NEW QUESTION 68

- (Exam Topic 1)

Which of the following is a role of the board of directors in the governance process?

- A. Conduct periodic assessments of the organization's governance systems.
- B. Obtain assurance concerning the effectiveness of the organization's governance systems.
- C. Implement an effective system of internal controls to support the organization's governance systems.
- D. Review and approve operational goals and objectives.

**Answer: B**

#### NEW QUESTION 70

- (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 74

- (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 77

- (Exam Topic 1)

An internationally recognized brand name is an entrance barrier to new competitors because new competitors would:

- A. Have to initiate a price war in order to enter the industry.
- B. Face increased production costs.
- C. Face increased marketing costs.
- D. Face higher learning costs, which would increase fixed costs.

**Answer: C**

#### NEW QUESTION 79

- (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 80

- (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 85

- (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 87**

- (Exam Topic 1)

Which of the following statements accurately describes the responsibility of the internal audit activity (IAA) regarding IT governance?

- \* 1. The IAA does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.
- \* 2. The IAA must assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 3. The IAA may assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 4. The IAA may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.

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

**Answer:** C

**NEW QUESTION 92**

- (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 95**

- (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 98**

- (Exam Topic 1)

Which of the following statements is in accordance with COBIT?

- \* 1. Pervasive controls are general while detailed controls are specific.
- \* 2. Application controls are a subset of pervasive controls.
- \* 3. Implementation of software is a type of pervasive control.
- \* 4. Disaster recovery planning is a type of detailed control.

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

**Answer:** A

**NEW QUESTION 99**

- (Exam Topic 1)

A small furniture-manufacturing firm with 100 employees is located in a two-story building and does not plan to expand. The furniture manufactured is not special-ordered or custom-made. The most likely structure for this organization would be:

- A. Functional departmentalization.
- B. Product departmentalization.
- C. Matrix organization.
- D. Divisional organization.

**Answer:** A

**NEW QUESTION 103**

- (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 104**

- (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 108**

- (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 111**

- (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 116**

- (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 117**

- (Exam Topic 1)

One change control function that is required in client/server environments, but is not required in mainframe environments, is to ensure that:

- A. Program versions are synchronized across the network.
- B. Emergency move procedures are documented and followed.
- C. Appropriate users are involved in program change testing.
- D. Movement from the test library to the production library is controlled.

**Answer:** A

**NEW QUESTION 118**

- (Exam Topic 1)

Which of the following are the most appropriate measures for evaluating the change in an organization's liquidity position?

- A. Times interest earned, return on assets, and inventory turnover.
- B. Accounts receivable turnover, inventory turnover in days, and the current ratio.
- C. Accounts receivable turnover, return on assets, and the current ratio.
- D. Inventory turnover in days, the current ratio, and return on equity.

**Answer:** B

**NEW QUESTION 120**

- (Exam Topic 1)

According to the International Professional Practices Framework, internal auditors who are assessing the adequacy of organizational risk management processes should not:

- A. Recognize that organizations use different techniques for managing risk.
- B. Seek assurance that the key objectives of the risk management processes are being met.
- C. Determine and accept the level of risk for the organization.
- D. Treat the evaluation of risk management processes differently from the risk analysis used to plan audit engagements.

**Answer: C**

**NEW QUESTION 125**

- (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 127**

- (Exam Topic 1)

An organization produces two products, X and Y. The materials used for the production of both products are limited to 500 kilograms (kg) per month. All other resources are unlimited and their costs are fixed. Individual product details are as follows:

Product X    Product Y

Selling price per unit

\$10

\$13

Materials per unit (at \$1/kg) 2 kg

6 kg

Monthly demand 100 units

120 units

In order to maximize profit, how much of product Y should the organization produce each month?

- A. 50 units.
- B. 60 units.
- C. 100 units.
- D. 120 units.

**Answer: A**

**NEW QUESTION 131**

- (Exam Topic 1)

Which of the following borrowing options is an unsecured loan?

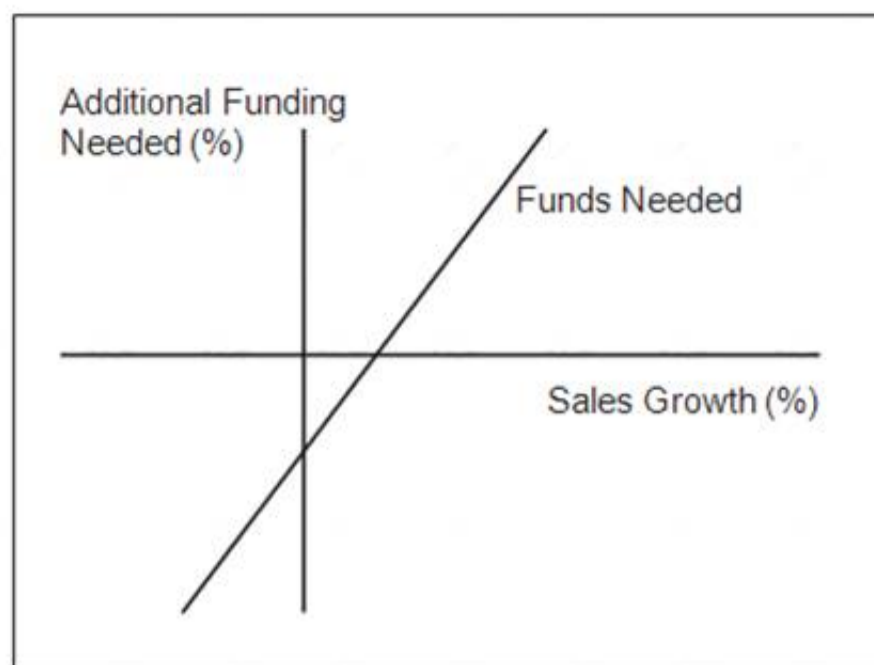
- A. Second-mortgage financing from a bank.
- B. An issue of commercial paper.
- C. Pledged accounts receivable.
- D. Asset-based financing.

**Answer: B**

**NEW QUESTION 134**

- (Exam Topic 1)

Refer to the exhibit.



If the profit margin of an organization decreases, and all else remains equal, which of the following describes how the "Funds Needed" line in the graph below will shift?

- A. The "Funds Needed" line will remain pointed upward, but will become less steep.
- B. The "Funds Needed" line will remain pointed upward, but will become more steep.
- C. The "Funds Needed" line will point downward with a minimal slope.
- D. The "Funds Needed" line will point downward with an extreme slope.

**Answer: B**

#### NEW QUESTION 139

- (Exam Topic 1)

A department purchased one copy of a software program for internal use. The manager of the department installed the program on an office computer and then made two complete copies of the original software.

Copy 1 was solely for backup purposes.

Copy 2 was for use by another member of the department.

In terms of software licenses and copyright law, which of the following is correct?

- A. Both copies are legal.
- B. Only copy 1 is legal.
- C. Only copy 2 is legal.
- D. Neither copy is legal.

**Answer: B**

#### NEW QUESTION 142

- (Exam Topic 1)

According to the ISO 14001 standard, which of the following is not included in the requirements for a quality management system?

- A. Key processes across the entity which impact quality must be identified and included.
- B. The quality management system must be documented in the articles of incorporation, quality manual, procedures, work instructions, and records.
- C. Management must review the quality policy, analyze data about quality management system performance, and assess opportunities for improvement and the need for change.
- D. The entity must have processes for inspections, testing, measurement, analysis, and improvement.

**Answer: B**

#### NEW QUESTION 144

- (Exam Topic 1)

The audit committee of a global corporation has mandated a change in the organization's business ethics policy. Which of the following approaches describes the best way to accomplish the policy's diffusion worldwide?

- A. Deploy the policy in the corporate headquarters' language, so everyone gets an unfiltered version simultaneously.
- B. Introduce the policy region by region, using any lessons learned to change the subsequent version of the policy for the next area.
- C. Consult with legal and operational management in each affected country to ensure the final version can be implemented globally, following audit committee approval.
- D. Send the board-approved version of the policy to each country's senior leadership, and empower them to tailor the policy to the local language and culture.

**Answer: C**

#### NEW QUESTION 149

- (Exam Topic 1)

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

- \* 1. Consult on CSR program design and implementation.
- \* 2. Serve as an advisor on CSR governance and risk management.
- \* 3. Review third parties for contractual compliance with CSR terms.
- \* 4. Identify and mitigate risks to help meet the CSR program objectives.

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

**Answer:** A

**NEW QUESTION 153**

- (Exam Topic 1)

When applied to international economics, the theory of comparative advantage proposes that total worldwide output will be greatest when:

- A. Each nation's total imports approximately equal its total exports.
- B. Each good is produced by the nation that has the lowest opportunity cost for that good.
- C. Goods that contribute to a nation's balance-of-payments deficit are no longer imported.
- D. International trade is unrestricted and tariffs are not imposed.

**Answer:** B

**NEW QUESTION 157**

- (Exam Topic 1)

Which of the following phases of a business cycle are marked by an underuse of resources?

- \* 1. The trough.
- \* 2. The peak.
- \* 3. The recovery.
- \* 4. The recession.

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

**Answer:** B

**NEW QUESTION 161**

- (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 163**

- (Exam Topic 1)

Organizational activities that complement each other and create a competitive advantage are called a:

- A. Merger.
- B. Strategic fit.
- C. Joint venture.
- D. Strategic goal.

**Answer:** B

**NEW QUESTION 165**

- (Exam Topic 1)

An organization decided to install a motion detection system in its warehouse to protect against after-hours theft. According to the COSO enterprise risk management framework, which of the following best describes this risk management strategy?

- A. Avoidance.
- B. Reduction.
- C. Elimination.
- D. Sharing.

**Answer:** B

**NEW QUESTION 170**

- (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.

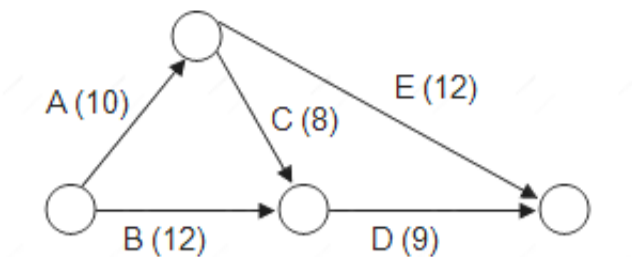
**Answer:** B

**NEW QUESTION 174**

- (Exam Topic 1)

Refer to the exhibit.

**Project Network (Activity Times in Days)**



The figure below shows the network diagram for the activities of a large project. What is the shortest number of days in which the project can be completed?

- A. 21 days.
- B. 22 days.
- C. 27 days.
- D. 51 days.

**Answer: C**

**NEW QUESTION 176**

- (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 179**

- (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 184**

- (Exam Topic 1)

What must be monitored in order to manage risk of consumer product inventory obsolescence?

- \* 1. Inventory balances.
- \* 2. Market share forecasts.
- \* 3. Sales returns.
- \* 4. Sales trends.

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

**Answer: C**

**NEW QUESTION 189**

- (Exam Topic 1)

Which of the following would provide the most relevant assurance that the application under development will provide maximum value to the organization?

- A. Use of a formal systems development lifecycle.
- B. End-user involvement.
- C. Adequate software documentation.
- D. Formalized non-regression testing phase.

**Answer: B**

**NEW QUESTION 193**

- (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 198**

- (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 201**

- (Exam Topic 1)

An internal auditor has been asked to conduct an investigation involving allegations of independent contractor fraud. Which of the following controls would be least effective in detecting any potential fraudulent activity?

- A. Exception report identifying payment anomalies.
- B. Documented policy and procedures.
- C. Periodic account reconciliation of contractor charges.
- D. Monthly management review of all contractor activity.

**Answer: B**

#### **NEW QUESTION 203**

- (Exam Topic 1)

Which of the following professional organizations sets standards for quality and environmental audits?

- A. The Committee of Sponsoring Organizations of the Treadway Commission.
- B. The Board of Environmental, Health, and Safety Auditor Certifications.
- C. The International Organization of Supreme Audit Institutions.
- D. The International Standards Organization.

**Answer: D**

#### **NEW QUESTION 205**

- (Exam Topic 1)

International marketing activities often begin with:

- A. Standardization.
- B. Global marketing.
- C. Limited exporting.
- D. Domestic marketing.

**Answer: C**

#### **NEW QUESTION 209**

- (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 211**

- (Exam Topic 1)

Which of the following is a characteristic of just-in-time inventory management systems?

- A. Users determine the optimal level of safety stocks.
- B. They are applicable only to large organizations.
- C. They do not really increase overall economic efficiency because they merely shift inventory levels further up the supply chain.
- D. They rely heavily on high quality materials.

**Answer: D**

**NEW QUESTION 216**

- (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 219**

- (Exam Topic 1)

Which of the following is useful for forecasting the required level of inventory?

- \* 1. Statistical modeling.
- \* 2. Information about seasonal variations in demand.
- \* 3. Knowledge of the behavior of different business cycles.
- \* 4. Pricing models linked to seasonal demand.

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

**Answer:** C

**NEW QUESTION 222**

- (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 223**

- (Exam Topic 1)

Which of the following performance measures would be appropriate for evaluating an investment center, which has responsibility for its revenues, costs, and investment base, but would not be appropriate for evaluating cost, revenue, or profit centers?

- A. A flexible budget.
- B. Variance analysis.
- C. A contribution margin income statement by segment.
- D. Residual income.

**Answer:** D

**NEW QUESTION 226**

- (Exam Topic 1)

The activity that involves a trial run of a product in a typical segment of the market before proceeding to a national launch is referred to as:

- A. Test marketing
- B. Experimentation
- C. Segmentation
- D. Positioning

**Answer:** A

**NEW QUESTION 228**

- (Exam Topic 1)

Where complex problems need to be addressed, which of the following communication networks would be most appropriate?

- A. Chain.
- B. All-channel.
- C. Circle.
- D. Wheel.

**Answer:** B

**NEW QUESTION 229**

- (Exam Topic 1)

An internal auditor is trying to assess control risk and the effectiveness of an organization's internal controls. Which of the following audit procedures would not provide assurance to the auditor on this matter?

- A. Interviewing the organization's employees.

- B. Observing the organization's operations.
- C. Reading the board's minutes.
- D. Inspecting manuals and documents.

**Answer:** C

#### NEW QUESTION 234

- (Exam Topic 1)

An organization is considering the outsourcing of its business processes related to payroll and information technology functions. Which of the following is the most significant area of concern for management regarding this proposed agreement?

- A. Ensuring that payments to the vendor are appropriate and timely for the services delivered.
- B. Ensuring that the vendor has complete management control of the outsourced process.
- C. Ensuring that there are means of monitoring the efficiency of the outsourced process.
- D. Ensuring that there are means of monitoring the effectiveness of the outsourced process.

**Answer:** D

#### NEW QUESTION 237

- (Exam Topic 1)

In terms of international business strategy, which of the following is true regarding a multi-domestic strategy?

- A. It uses the same products in all countries.
- B. It centralizes control with little decision-making authority given to the local level.
- C. It is an effective strategy when large differences exist between countries.
- D. It provides cost advantages, improves coordinated activities, and speeds product development.

**Answer:** C

#### NEW QUESTION 239

- (Exam Topic 2)

Which of the following should be included in a company's year-end inventory valuation?

- A. Company goods that were sold during the year free on board shipping point that have been shipped but not yet received by the customer
- B. Goods purchased by the company free on board destination that have not yet been received
- C. Goods on consignment, which the company is trying to sell for its customers
- D. Company goods for sale on consignment at a consignment shop

**Answer:** A

#### NEW QUESTION 243

- (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 245

- (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 247

- (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 250

- (Exam Topic 2)

Which of the following statements about mentoring is true?

- \* 1. Mentoring can be used effectively for increasing employee retention
- \* 2. Mentoring can be used effectively in reducing employees frustration.
- \* 3. Mentoring can be used effectively for increasing organization communication.
- \* 4. Mentoring can be used effectively as a short term activity consisting of instruction and training

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

**Answer:** A

#### NEW QUESTION 253

- (Exam Topic 2)

In the current year, a merchandising organization had an inventory turnover ratio of 3.0, which was less than the industry average of 6.5. Which of the following offers the most likely explanation for this difference?

- A. The organization has understated the amount of inventory in its financial statements
- B. The organization has overstated the cost of purchases in its financial statements.
- C. The organization is holding obsolete or damaged items in its inventory
- D. The organization experienced an unexpectedly large increase in sales shortly before year end.

**Answer:** C

#### NEW QUESTION 255

- (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 258

- (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 true 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 263

- (Exam Topic 2)

For employees, the primary value of implementing job enrichment is which of the following?

- A. Validation of the achievement of their goals and objectives.
- B. Increased knowledge through the performance of additional tasks.
- C. Support for personal growth and a meaningful work experience.
- D. An increased opportunity to manage better the work done by their subordinates.

**Answer:** C

#### NEW QUESTION 268

- (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 269

- (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 270**

- (Exam Topic 2)

Which of the following controls would be the most effective in preventing the disclosure of an organization's confidential electronic information?

- A. Non-disclosure agreements between the firm and its employees
- B. Logs of user activity within the information system
- C. Two-factor authentication for access into the information system
- D. Limited access to information based on employee duties

**Answer:** D

**NEW QUESTION 272**

- (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 273**

- (Exam Topic 2)

A multinational organization involved in online business has planned to set up a help desk service. Which of the following best describes the role performed by the help desk?

- A. Monitoring access to the online database.
- B. Backing up and maintaining archived data.
- C. Responding to customer inquiries.
- D. Maintaining and assuring network security.

**Answer:** C

**NEW QUESTION 277**

- (Exam Topic 2)

An organization has instituted a bring-your-own-device (BYOD) work environment. Which of the following policies best addresses the increased risk to the organization's network incurred by this environment?

- A. Limit the use of the employee devices for personal use to mitigate the risk of exposure to organizational data.
- B. Ensure that relevant access to key applications is strictly controlled through an approval and review process
- C. Institute detection and authentication controls for all devices used for network connectivity and data storage
- D. Use management software to scan and then prompt patch reminders when devices connect to the network

**Answer:** D

**NEW QUESTION 278**

- (Exam Topic 2)

Which of the following are a result of implementing an e-commerce system, which relies heavily on electronic data interchange and electronic funds transfer, for purchasing and billing?

- A. Higher cash flow and treasury balances
- B. Higher inventory balances
- C. Higher accounts receivable
- D. Higher accounts payable

**Answer:** C

**NEW QUESTION 280**

- (Exam Topic 2)

A multinational organization has multiple divisions that sell their products internally to other divisions. When selling internally, which of the following transfer prices would lead to the best decisions for the organization?

- A. Full cost
- B. Full cost plus a markup.
- C. Market price of the product
- D. Variable cost plus a markup

**Answer:** C

#### NEW QUESTION 283

- (Exam Topic 2)

Which of the following statements is true regarding cost-volume-profit analysis?

- A. Contribution margin is the amount remaining from sales revenue after fixed expenses have been deducted.
- B. Breakeven point is the amount of units sold to cover variable costs.
- C. Breakeven occurs when the contribution margin covers fixed costs
- D. Following breakeven, net operating income will increase by the excess of fixed costs less the variable costs per units sold

**Answer: C**

#### NEW QUESTION 284

- (Exam Topic 2)

Which of the following summarizes information about the cash receipts and cash payments for a specific time period?

- A. Income statement
- B. Statement of cash flows.
- C. Balance sheet
- D. Owner's equity statement

**Answer: B**

#### NEW QUESTION 286

- (Exam Topic 2)

The critical path for any project is the path that exhibits which of the following characteristics?

- A. Has the longest duration in time.
- B. Costs the most money.
- C. Requires the largest amount of labor
- D. Is deemed most important to the project.

**Answer: A**

#### NEW QUESTION 289

- (Exam Topic 2)

According to IIA guidance, which of the following would be the best first step to manage risk when a third party is overseeing the organization's network and data?

- A. Creating a comprehensive reporting system for vendors to demonstrate their ongoing due diligence in network operations
- B. Drafting a strong contract that requires regular vendor control reports and a right-to-audit clause.
- C. Applying administrative privileges to ensure right-to-access controls are appropriate
- D. Creating a standing cybersecurity committee to identify and manage risks related to data security

**Answer: B**

#### NEW QUESTION 293

- (Exam Topic 2)

A bank uses customer departmentalization to categorize its departments. Which of the following groups best exemplifies this method of categorization?

- A. Community institutional and agricultural banking.
- B. Mortgages credit cards and savings
- C. South southwest and east.
- D. Teller manager and IT specialist

**Answer: A**

#### NEW QUESTION 295

- (Exam Topic 2)

Organizations that 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 298

- (Exam Topic 2)

Which of the following is a security feature that involves the use of hardware and software to filter or prevent specific information from moving between the outside network and the inside network?

- A. Authorization
- B. Architecture model
- C. Firewall
- D. Virtual private network

**Answer:**

C

**NEW QUESTION 301**

- (Exam Topic 2)

Which of the following actions would senior management need to consider as part of new IT guidelines regarding the organization's cybersecurity policies?

- A. Assigning new roles and responsibilities for senior IT management.
- B. Growing use of bring your own devices for organizational matters
- C. Expansion of operations into new markets with unified IT access
- D. Hiring new personnel within the IT department for security purposes

**Answer: D**

**NEW QUESTION 303**

- (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 306**

- (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 308**

- (Exam Topic 2)

When is an organic organizational structure likely to be more successful than a mechanistic organizational structure?

- A. When a manufacturing organization has stable demand for its products.
- B. When an organization is subjected to strong political and social pressures.
- C. When a manufacturer has reliable resources and suppliers.
- D. When an organization is infrequently affected by technological advances.

**Answer: D**

**NEW QUESTION 309**

- (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 314**

- (Exam Topic 2)

Which of the following is a primary objective of the theory of constraints?

- A. Full or near capacity in processes.
- B. Smooth workflow among processes.
- C. Few or no defects.
- D. Lowered inventory levels.

**Answer: A**

**NEW QUESTION 319**

- (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 321**

- (Exam Topic 2)

An organization's account for office supplies on hand had a balance of \$9,000 at the end of year one. During year two, the organization recorded an expense of \$45,000 for purchasing office supplies. At the end of year two, a physical count determined that the organization has \$11,500 in office supplies on hand. Based on this information, what would be recorded in the adjusting entry at the end of year two?

- A. A debit to office supplies on hand for \$2,500
- B. A debit to office supplies on hand for \$11,500
- C. A debit to office supplies on hand for \$20,500
- D. A debit to office supplies on hand for \$42,500

**Answer:** A

**NEW QUESTION 323**

- (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 326**

- (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 329**

- (Exam Topic 2)

An organization is experiencing a high turnover. Which of the following can human resources deploy to effectively detect the root cause of turnover?

- A. Require regular performance appraisals
- B. Perform exit interviews
- C. Encourage periodic rotation of employee duties.
- D. Ensure mandatory vacations

**Answer:** B

**NEW QUESTION 334**

- (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 335**

- (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 337**

- (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 338**

- (Exam Topic 2)

Organization X owns a 38 percent equity stake in Organization Y. Which of the following statements is true regarding the financial treatment for this relationship?

- A. Y should be listed as an investment asset on X's balance sheet
- B. X must consolidate the financial statements for both organizations
- C. Y should be reported as a footnote to X's financial statements
- D. Y should not be reported by X as X does not have a controlling interest

**Answer:** A

**NEW QUESTION 340**

- (Exam Topic 2)

A manager has allowed a subordinate employee to have greater control and responsibility over the tasks that he performs. This is an example of which of the following?

- A. Job enlargement.
- B. Job enlargement.
- C. Horizontal loading of the job.
- D. Job rotation

**Answer:** A

**NEW QUESTION 341**

- (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 344**

- (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 347**

- (Exam Topic 2)

Which of the following is the first step an internal audit activity should undertake when executing a data analytics process'?

- A. Conduct a risk assessment regarding the effectiveness of the data analytics process.
- B. Analyze possible and available sources of raw data
- C. Define the purpose and the anticipated value
- D. Select data for cleaning and normalization procedures.

**Answer:** B

**NEW QUESTION 352**

- (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 356**

- (Exam Topic 2)

With regard to project management when of the following statements about project crashing is true?

- A. It leads to an increase in risk and often results in rework
- B. It is an optimization technique where activities are performed in parallel rather than sequentially
- C. It involves a reevaluation of project requirements and/or scope.
- D. It is a compression technique in which resources are added to the project

**Answer: D**

**NEW QUESTION 358**

- (Exam Topic 2)

Which of the following authentication controls combines what a user knows with the unique characteristics of the user respectively?

- A. Voice recognition and token.
- B. Password and fingerprint.
- C. Fingerprint and voice recognition
- D. Password and token

**Answer: B**

**NEW QUESTION 363**

- (Exam Topic 2)

An internal auditor is assigned to perform data analytics. Which of the following is the next step the auditor should undertake after she has ascertained the value expected from the review?

- A. Normalize the data
- B. Obtain the data
- C. identify the risks
- D. Analyze the data

**Answer: D**

**NEW QUESTION 364**

- (Exam Topic 2)

According to IIA guidance, which of the following statements is true regarding analytical procedures?

- A. Data relationships are assumed to exist and to continue where no known conflicting conditions exist.
- B. Analytical procedures are intended primarily to ensure the accuracy of the information being examined.
- C. Data relationships cannot include comparisons between operational and statistical data
- D. Analytical procedures can be used to identify unexpected differences but cannot be used to identify the absence of differences

**Answer: A**

**NEW QUESTION 365**

- (Exam Topic 2)

When using cost-volume-profit analysis which of the following will increase operating income once the break-even point has been reached?

- A. Fixed costs per unit for each additional unit sold
- B. Variable costs per unit for each additional unit sold
- C. Contribution margin per unit for each additional unit sold
- D. Gross margin per unit for each additional unit sold

**Answer: C**

**NEW QUESTION 369**

- (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-line
- E. large-scale firms

**Answer: B**

**NEW QUESTION 370**

- (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 373**

- (Exam Topic 2)

A restaurant deeded 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 375**

- (Exam Topic 2)

Which of the following describes the most appropriate set of tests for auditing a workstation's logical access controls?

- A. Review the list of people with access badges to the room containing the workstation and a log of those who accessed the room.
- B. Review the password length, frequency of change, and list of users for the workstation's login process.
- C. Review the list of people who attempted to access the workstation and failed, as well as error messages.
- D. Review the passwords of those who attempted unsuccessfully to access the workstation and the log of their activity.

**Answer:** A

**NEW QUESTION 380**

- (Exam Topic 2)

An organization invests excess snort-term cash in trading securities. When of the following actions should an internal auditor take to test the valuation of those securities?

- A. Use the equity method to recalculate the investment carrying value
- B. Confirm the securities held by the broker
- C. Perform a calculation of premium or discount amortization.
- D. Compare the carrying value with current market quotations

**Answer:** D

**NEW QUESTION 383**

- (Exam Topic 2)

Which of the following control features consists of a set of authorization codes that distinguishes among actions such as reading, adding, and deleting records?

- A. Internally encrypted passwords
- B. System access privileges.
- C. Logon passwords
- D. Protocol controls.

**Answer:** B

**NEW QUESTION 386**

- (Exam Topic 2)

Which of the following risks would involve individuals attacking an oil company's IT system as a sign of solidarity against drilling in a focal area?

- A. Tampering
- B. Hacking
- C. Phishing
- D. Piracy

**Answer:** B

**NEW QUESTION 389**

- (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 regularity 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 394**

- (Exam Topic 2)

According to IIA guidance on IT, which of the following plans would pair the identification of critical business processes with recovery time objectives?

- A. The business continuity management charter.
- B. The business continuity risk assessment plan
- C. The business impact analysis plan
- D. The business case for business continuity planning

**Answer: C**

#### **NEW QUESTION 399**

- (Exam Topic 2)

Which of the following are the most common characteristics of big data?

- A. Visibility, validity, vulnerability
- B. Velocity, variety volume.
- C. Complexity completeness constancy
- D. Continuity, control convenience

**Answer: B**

#### **NEW QUESTION 400**

- (Exam Topic 2)

Which of the following is a key component of an organization's cybersecurity governance?

- A. Administrators monitoring the use, assignment and configuration of privileges on the network.
- B. The IT department establishing^ implementing, and actively managing security configurations.
- C. Management identifying and classifying the types of critical data in the organization's system
- D. Senior management of the organization setting the cybersecurity policy

**Answer: D**

#### **NEW QUESTION 401**

- (Exam Topic 2)

Which of the following budgets serves as a basis for the budgeted income statement?

- A. All financial budgets
- B. All operating budgets
- C. Only the cash budget and budgeted balance sheet
- D. Only the sales and production budgets

**Answer: B**

#### **NEW QUESTION 403**

- (Exam Topic 2)

Which of the following data security policies is most likely to be the result of a data privacy law?

- A. Access to personally identifiable information is limited to those who need it to perform their job.
- B. Confidential data must be backed up and recoverable within a 24-hour period.
- C. Updates to systems containing sensitive data must be approved before being moved to production.
- D. A record of employees with access to insider information must be maintained and those employees may not trade company stock during blackout periods

**Answer: A**

#### **NEW QUESTION 406**

- (Exam Topic 2)

Which of the following is an example of a phishing attack?

- A. An employee receives an email that appears to be from the organization's bank, though it is no
- B. The employee replies to the email and sends the requested confidential information.
- C. An organization's website has been hacked
- D. The hacker added political content that is not consistent with the organization's views.
- E. An organization's systems have been compromised by malicious softwar
- F. The software locks the organization's operating system until d ransom is paid.
- G. An organization's communication systems have been intercepte
- H. A communication session is controlled by an unauthorized third party.

**Answer: A**

#### **NEW QUESTION 409**

- (Exam Topic 2)

Which of the following would most likely be found in an organization that uses a decentralized organizational structured?

- A. There is a higher reliance on organizational culture
- B. There are clear expectations set for employees
- C. There are electronic monitoring techniques employed
- D. There is a defined code for employee behavior

**Answer:** B

**NEW QUESTION 410**

- (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 413**

- (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 414**

- (Exam Topic 2)

During which phase of the contacting process are contracts drafted for a proposed business activity?

- A. Initiation phase
- B. Bidding phase
- C. Development phase
- D. Management phase

**Answer:** A

**NEW QUESTION 417**

- (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 420**

- (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 422**

- (Exam Topic 2)

Which of the following application controls verifies the accuracy of transaction results in a system?

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

**Answer:** C

**NEW QUESTION 423**

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