

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 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 3

- (Exam Topic 1)

Capacity overbuilding is most likely to occur when management is focused on which of the following?

- A. Marketing.
- B. Finance.
- C. Production.
- D. Diversification.

Answer: C

NEW QUESTION 4

- (Exam Topic 1)

Which of the following is a product-oriented definition of a business rather than a market-oriented definition of a business?

- A. We are a people-and-goods mover.
- B. We supply energy.
- C. We make movies.
- D. We provide climate control in the home.

Answer: C

NEW QUESTION 5

- (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 6

- (Exam Topic 1)

The first step in determining product price is:

- A. Determining the cost of the product.
- B. Developing pricing objectives.
- C. Evaluating prices set by the competitors.
- D. Selecting a pricing method.

Answer: B

NEW QUESTION 7

- (Exam Topic 1)

Which of the following factors is considered a disadvantage of vertical integration?

- A. It may reduce the flexibility to change partners.
- B. It may not reduce the bargaining power of suppliers.
- C. It may limit the organization's ability to differentiate the product.
- D. It may lead to limited control of proprietary knowledge.

Answer: A

NEW QUESTION 8

- (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 9

- (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 10

- (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 10

- (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 13

- (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 15

- (Exam Topic 1)

Organizations use matrix management to accomplish which of the following?

- A. To improve the chain of command.
- B. To strengthen corporate headquarters.
- C. To focus better on a single market.
- D. To increase lateral communication.

Answer: D

NEW QUESTION 17

- (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 21

- (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 25

- (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 27

- (Exam Topic 1)

Which of the following should an organization consider when developing strategic objectives for its business processes?

- * 1. Contribution to the success of the organization.
- * 2. Reliability of operational information.
- * 3. Behaviors and actions expected of employees.
- * 4. How inputs combine with outputs to generate activities.

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

Answer: B

NEW QUESTION 28

- (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 33

- (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 38

- (Exam Topic 1)

An organization engages in questionable financial reporting practices due to pressure to meet unrealistic performance targets. Which internal control component is most negatively affected?

- A. Monitoring.
- B. Control activities.
- C. Risk assessment.
- D. Control environment.

Answer: D

NEW QUESTION 39

- (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 43

- (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 46

- (Exam Topic 1)

Senior management has decided to implement the Three Lines of Defense model for risk management. Which of the following best describes senior management's duties with regard to this model?

- A. Ensure compliance with the model.
- B. Identify management functions.
- C. Identify emerging issues.
- D. Set goals for implementation.

Answer: A

NEW QUESTION 47

- (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 50

- (Exam Topic 1)

If legal or regulatory standards prohibit conformance with certain parts of The IIA's Standards, the auditor should do which of the following?

- A. Conform with all other parts of The IIA's Standards and provide appropriate disclosures.
- B. Conform with all other parts of The IIA's Standards; there is no need to provide appropriate disclosures.
- C. Continue the engagement without conforming with the other parts of The IIA's Standards.
- D. Withdraw from the engagement.

Answer: A

NEW QUESTION 54

- (Exam Topic 1)

In creating a risk-based plan, which of the following best describes a top-down approach to understanding business processes?

- A. Identifying the processes at the activity level.
- B. Analyzing the organization's strategic plan where the business processes are defined.
- C. Analyzing the organization's objectives and identifying the processes needed to achieve the objectives.
- D. Identifying the risks affecting the organization, the objectives, and then the processes concerned.

Answer: C

NEW QUESTION 55

- (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 57

- (Exam Topic 1)

In an organization where enterprise risk management practices are mature, which of the following is a core internal audit role?

- A. Giving assurance that risks are evaluated correctly.
- B. Developing the risk management strategy for the board's approval.
- C. Facilitating the identification and evaluation of risks.
- D. Coaching management in responding to risk.

Answer: A

NEW QUESTION 62

- (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 67

- (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 69

- (Exam Topic 1)

During a review of a web-based application used by customers to check the status of their bank accounts, it would be most important for the internal auditor to ensure that:

- A. Access to read application logs is restricted to authorized users.
- B. Account balance information is encrypted in the database.
- C. The web server used to host the application is located in a physically secure area.
- D. Sensitive data, such as account numbers, are submitted using encrypted communications.

Answer: D

NEW QUESTION 73

- (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 74

- (Exam Topic 1)

Which of the following must be adjusted to index a progressive tax system to inflation?

- A. Tax deductions, exemptions, and tax filings.
- B. Tax deductions, exemptions, and tax brackets.
- C. Tax brackets, tax deductions, and tax payments.
- D. Tax brackets, exemptions, and nominal tax receipts.

Answer: B

NEW QUESTION 76

- (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 80

- (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 81

- (Exam Topic 1)

Which of the following is an example of a risk avoidance response?

- A. Buying an insurance policy to protect against loss events.
- B. Hedging against natural gas price fluctuations.
- C. Selling a non-strategic business unit.
- D. Outsourcing a high risk process to a third party.

Answer: C

NEW QUESTION 85

- (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 89

- (Exam Topic 1)

Which of the following are appropriate functions for an IT steering committee?

- * 1. Assess the technical adequacy of standards for systems design and programming.
- * 2. Continually monitor of the adequacy and accuracy of software and hardware in use.
- * 3. Assess the effects of new technology on the organization's IT operations.
- * 4. Provide broad oversight of implementation, training, and operation of new systems.

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

Answer: D

NEW QUESTION 92

- (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 94

- (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 99

- (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 104

- (Exam Topic 1)

In mergers and acquisitions, which of the following is an example of a horizontal combination?

- A. Dairy manufacturing company taking over a large dairy farm.
- B. A movie producer acquires movie theaters.
- C. A petroleum processing company acquires an agro-processing firm.
- D. A baker taking over a competitor.

Answer: D

NEW QUESTION 109

- (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 111

- (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 113

- (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 114

- (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 117

- (Exam Topic 1)

Which of the following statements is true regarding the resolution of interpersonal conflict?

- A. Unrealized expectations can be avoided with open and honest discussion.
- B. Reorganization would probably not help ambiguous or overlapping jurisdictions.
- C. Deferring action should be used until there is sufficient time to fully deal with the issue.
- D. Timely and unambiguous clarification of roles and responsibilities will eliminate most interpersonal conflict.

Answer: A

NEW QUESTION 119

- (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 124

- (Exam Topic 1)

Which of the following control techniques would minimize the risk of interception during transmission in an electronic data interchange system?

- * 1. Encryption.
- * 2. Traffic padding.
- * 3. Edit checks.
- * 4. Structured data format.

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

Answer: A

NEW QUESTION 129

- (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 131

- (Exam Topic 1)

Which of the following roles would be least appropriate for the internal audit activity to undertake with regard to an organization's corporate social responsibility (CSR) program?

- A. Consult on project design and implementation of the CSR program.
- B. Serve as an advisor on internal controls related to CSR.
- C. Identify and prioritize the CSR issues that are important to the organization.
- D. Evaluate the effectiveness of the organization's CSR efforts.

Answer: C

NEW QUESTION 132

- (Exam Topic 1)

An organization facing rapid growth decides to employ a third party service provider to manage its customer relationship management function. Which of the following is true regarding the supporting application software used by that provider compared to an in-house developed system?

- * 1. Updating documentation is always a priority.
- * 2. System availability is usually more reliable.
- * 3. Data security risks are lower.
- * 4. Overall system costs are lower.

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

Answer: C

NEW QUESTION 134

- (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 137

- (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 141

- (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 143

- (Exam Topic 1)

Which of the following is false with regard to Internet connection firewalls?

- A. Firewalls can protect against computer viruses.
- B. Firewalls monitor attacks from the Internet.
- C. Firewalls provide network administrators tools to retaliate against hackers.
- D. Firewalls may be software-based or hardware-based.

Answer: A

NEW QUESTION 147

- (Exam Topic 1)

Which of the following is a type of network in which an organization permits specific users (such as existing customers) to have access to its internal network through the Internet by building a virtual private network?

- A. Intranet.
- B. Extranet.
- C. Digital subscriber line.
- D. Broadband.

Answer: B

NEW QUESTION 150

- (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 152

- (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 154

- (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 157

- (Exam Topic 1)

During which phase of disaster recovery planning should an organization identify the business units, assets, and systems that are critical to continuing an acceptable level of operations?

- A. Scope and initiation phase.
- B. Business impact analysis.
- C. Plan development.
- D. Testing.

Answer: B

NEW QUESTION 159

- (Exam Topic 1)

An organization is projecting sales of 100,000 units, at a unit price of \$12. Unit variable costs are \$7. If fixed costs are \$350,000, what is the projected total contribution margin?

- A. \$350,000
- B. \$500,000
- C. \$850,000
- D. \$1,200,000

Answer: B

NEW QUESTION 164

- (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 165

- (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 167

- (Exam Topic 1)

Which is the least effective form of risk management?

- A. Systems-based preventive control.
- B. People-based preventive control.
- C. Systems-based detective control.
- D. People-based detective control.

Answer: D

NEW QUESTION 172

- (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 176

- (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 177

- (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 178

- (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 183

- (Exam Topic 1)

All of the following are true with regard to the first-in, first-out inventory valuation method except:

- A. It values inventory close to current replacement cost.
- B. It generates the highest profit when prices are rising.
- C. It approximates the physical flow of goods.
- D. It minimizes current-period income taxes.

Answer: D

NEW QUESTION 188

- (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 189

- (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 194

- (Exam Topic 1)

Which of the following budgets must be prepared first?

- A. Cash budget.
- B. Production budget.
- C. Sales budget.
- D. Selling and administrative expenses budget.

Answer: C

NEW QUESTION 197

- (Exam Topic 1)

Which of the following borrowing options is an unsecured loan?

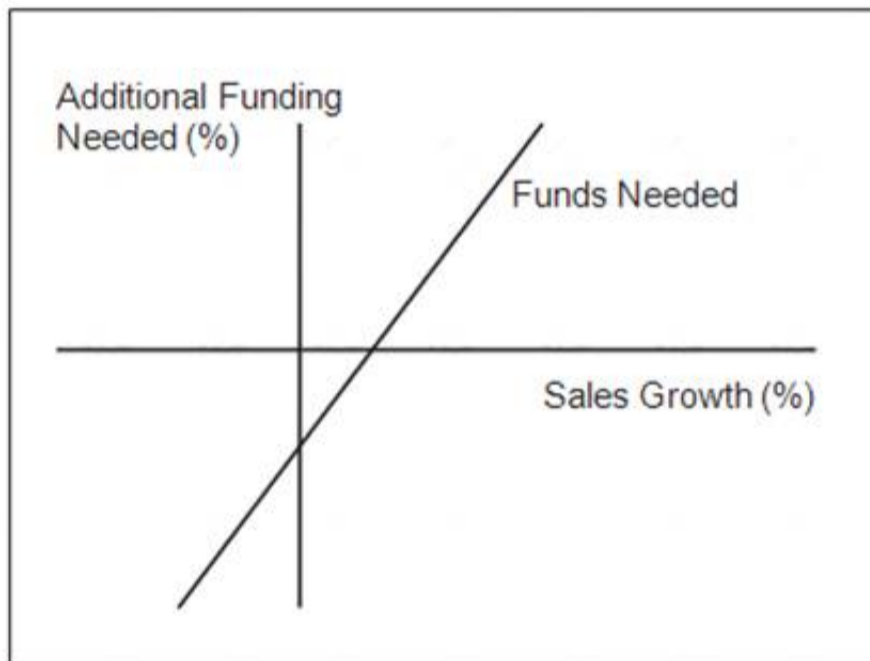
- A. Second-mortgage financing from a bank.
- B. An issue of commercial paper.
- C. Pledged accounts receivable.
- D. Asset-based financing.

Answer: B

NEW QUESTION 200

- (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 204

- (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 207

- (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 209

- (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 212

- (Exam Topic 1)

Import quotas that limit the quantities of goods that a domestic subsidiary can buy from its foreign parent company represent which type of barrier to the parent company?

- A. Political.
- B. Financial.
- C. Social.
- D. Tariff.

Answer: A

NEW QUESTION 214

- (Exam Topic 1)

When granting third parties temporary access to an entity's computer systems, which of the following is the most effective control?

- A. Access is approved by the supervising manager.
- B. User accounts specify expiration dates and are based on services provided.
- C. Administrator access is provided for a limited period.
- D. User accounts are deleted when the work is completed.

Answer: B

NEW QUESTION 218

- (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 221

- (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 222

- (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 223

- (Exam Topic 1)

Which of the following COSO internal control framework components encompasses establishing structures, reporting lines, authorities, and responsibilities?

- A. Control environment.
- B. Control activities.
- C. Information and communication.
- D. Monitoring.

Answer: A

NEW QUESTION 228

- (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 232

- (Exam Topic 1)

Which of the following statements are true regarding the use of heat maps as risk assessment tools?

- * 1. They focus primarily on known risks, limiting the ability to identify new risks.
- * 2. They rely heavily on objective assessments and related risk tolerances.
- * 3. They are too complex to provide an easily understandable view of key risks.
- * 4. They are helpful but limited in value in a rapidly changing environment.

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

Answer: B

NEW QUESTION 237

- (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 241

- (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 246

- (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 248

- (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 249

- (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 252

- (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 253

- (Exam Topic 1)

The process of scenario planning begins with which of the following steps?

- A. Determining the trends that will influence key factors in the organization's environment.
- B. Selecting the issue or decision that will impact how the organization conducts future business.
- C. Selecting leading indicators to alert the organization of future developments.
- D. Identifying how customers, suppliers, competitors, employees, and other stakeholders will react.

Answer: B

NEW QUESTION 254

- (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 256

- (Exam Topic 1)

When writing a business memorandum, the writer should choose a writing style that achieves all of the following except:

- A. Draws positive attention to the writing style.
- B. Treats all receivers with respect.
- C. Suits the method of presentation and delivery.
- D. Develops ideas without overstatement.

Answer: A

NEW QUESTION 257

- (Exam Topic 1)

Which of the following are typical responsibilities for operational management within a risk management program?

- * 1. Implementing corrective actions to address process deficiencies.
- * 2. Identifying shifts in the organization's risk management environment.
- * 3. Providing guidance and training on risk management processes.
- * 4. Assessing the impact of mitigation strategies and activities.

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

Answer: B

NEW QUESTION 259

- (Exam Topic 1)

Which of the following statements about COBIT is not true?

- A. COBIT helps management understand and manage the risks associated with information technology (IT) processes.
- B. Management needs to determine the cost-benefit ratio of adopting COBIT control objectives.
- C. COBIT control objectives are specific to various IT platforms and help determine minimum controls.
- D. COBIT provides management with the capability to conduct self-assessments against industry best practices.

Answer: C

NEW QUESTION 263

- (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 266

- (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 267

- (Exam Topic 1)

International marketing activities often begin with:

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

Answer: C

NEW QUESTION 271

- (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 274

- (Exam Topic 1)

Which of the following is a disadvantage of selecting a commercial software package rather than developing an application internally?

- A. Lack of flexibility.
- B. Incompatibility with client/server technology.
- C. Employee resistance to change.
- D. Inadequate technical support.

Answer: A

NEW QUESTION 278

- (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 282

- (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 283

- (Exam Topic 1)

According to the COSO enterprise risk management (ERM) framework, which of the following is not a typical responsibility of the chief risk officer?

- A. Establishing risk category definitions and a common risk language for likelihood and impact measures.
- B. Defining ERM roles and responsibilities.
- C. Providing the board with an independent, objective risk perspective on financial reporting.
- D. Guiding integration of ERM with other management activities.

Answer: C

NEW QUESTION 286

- (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 289

- (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 290

- (Exam Topic 1)

A global business organization is selecting managers to post to various international (expatriate) assignments. In the screening process, which of the following traits would be required to make a manager a successful expatriate?

- * 1. Superior technical competence.
- * 2. Willingness to attempt to communicate in a foreign language.
- * 3. Ability to empathize with other people.

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

Answer: C

NEW QUESTION 294

- (Exam Topic 1)

Which mindset promotes the most comprehensive risk management strategy?

- A. Increase shareholder value.
- B. Maximize market share.
- C. Improve operational efficiency.
- D. Mitigate losses.

Answer: A

NEW QUESTION 298

- (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 299

- (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 303

- (Exam Topic 1)

According to the Standards, the internal audit activity must evaluate risk exposures relating to which of the following when examining an organization's risk management process?

- * 1. Organizational governance.
- * 2. Organizational operations.
- * 3. Organizational information systems.
- * 4. Organizational structure.

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

Answer: C

NEW QUESTION 307

- (Exam Topic 1)

Technological uncertainty, subsidy, and spin-offs are usually characteristics of:

- A. Fragmented industries.
- B. Declining industries.
- C. Mature industries.

D. Emerging industries.

Answer: D

NEW QUESTION 311

- (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 316

- (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 mat 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 320

- (Exam Topic 2)

Which of the following statements is true with regard to information protection?

- A. All personal information, by definition is considered to be sensitive, requiring specialized controls.
- B. Information is not considered personal if it can only be linked to or used to identify an individual indirectly.
- C. Individuals who provide personal information to organizations share in the risk of inappropriate disclosure.
- D. Good protection controls remove any restrictions on the quantity of personal information that can be collected

Answer: A

NEW QUESTION 325

- (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 326

- (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 330

- (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 333

- (Exam Topic 2)

If a just-in-time purchasing system is successful in reducing the total inventory costs of a manufacturing company, which of the following combinations of cost changes would be most likely to occur?

Cost Category to Increase	Cost Category to Decrease
1. Purchasing costs	Stockout costs
2. Purchasing costs	Quality costs
3. Quality costs	Ordering costs
4. Stockout costs	Carrying costs

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

Answer: D

NEW QUESTION 334

- (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 337

- (Exam Topic 2)

According to MA guidance on IT, which of the following controls the routing of data packets to link computers?

- A. Operating system.
- B. Control environment.
- C. Network.
- D. Application program code.

Answer: C

NEW QUESTION 338

- (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 341

- (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
- 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 344

- (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 345

- (Exam Topic 2)

An organization requires an average of 58 days to convert raw materials into finished products to sell. An average of 42 additional days is required to collect receivables. If the organization takes an average of 10 days to pay for the raw materials, how long is its total cash conversion cycle?

- A. 26 days.
- B. 90 days.
- C. 100 days.
- D. 110 days.

Answer: B

NEW QUESTION 348

- (Exam Topic 2)

Which of the following is an example of a key systems development control typically found in the in-house development of an application system?

- A. Logical access controls monitor application usage and generate audit trails.
- B. The development process is designed to prevent, detect and correct errors that may occur
- C. A record is maintained to track the process of data from input, to output, to storage
- D. Business users' requirements are documented, and their achievement is monitored

Answer: D

NEW QUESTION 352

- (Exam Topic 2)

Which of the following re 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 357

- (Exam Topic 2)

Which of the following risks is best addressed by encryption?

- A. Information integrity risk.
- B. Privacy risk
- C. Access risk
- D. Software risk

Answer: A

NEW QUESTION 358

- (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 363

- (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 368

- (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 369

- (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 373

- (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 375

- (Exam Topic 2)

An organization accomplishes its goal to obtain a 40 percent share of the domestic market, but is unable to get the desired return on investment and output per hour of labor. Based on this information the organization is most likely focused on which of the following?

- A. Capital investment and not marketing
- B. Marketing and not capital investment.
- C. Efficiency and not input economy.
- D. Effectiveness and not efficiency.

Answer: D

NEW QUESTION 380

- (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 fails to perform jailbreaking or rooting, data security and privacy risks are increased

Answer: C

NEW QUESTION 384

- (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 386

- (Exam Topic 2)

Based on test results an IT auditor concluded that the organization would suffer unacceptable loss 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 387

- (Exam Topic 2)

Which of the following IT controls includes protection for mainframe computers and workstations?

- A. Change management controls
- B. Physical and environmental controls.
- C. System software controls
- D. Organization and management controls

Answer: C

NEW QUESTION 392

- (Exam Topic 2)

What kind of strategy would be most effective for an organization to adopt in order to implement a unique advertising campaign for selling identical product lines across all of its markets?

- A. Export strategy
- B. Transnational strategy.
- C. Multi-domestic strategy
- D. Globalization strategy.

Answer: C

NEW QUESTION 393

- (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 397

- (Exam Topic 2)

Which of the following assists in ensuring that information exchanged over IT systems is encrypted?

- A. Operating system
- B. Utility software
- C. Firewall
- D. Application software

Answer: C

NEW QUESTION 399

- (Exam Topic 2)

In which of the following technical infrastructure audits should attention be turned to physical security and environmental controls?

- A. Database review
- B. Data center review
- C. Network configuration review
- D. Operating systems review

Answer: B

NEW QUESTION 403

- (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 406

- (Exam Topic 2)

Which of the following statements is true regarding cybersecurity risk?

- A. Cybersecurity risks are identical across all organizations regardless of industry
- B. Installation of antivirus and malware software prevents cybersecurity risks
- C. Deployment of proper cybersecurity measures assures business success

D. Information value extends the emergence of cybersecurity risks

Answer: C

NEW QUESTION 411

- (Exam Topic 2)

Which of the following statements is most accurate concerning the management and audit of a web server?

- A. The file transfer protocol (FTP) should always be enabled
- B. The simple mail transfer protocol (SMTP) should be operating under the most privileged accounts
- C. The number of ports and protocols allowed to access the web server should be maximized
- D. Secure protocols for confidential pages should be used instead of clear-text protocol such as HTTP or FTP

Answer: D

NEW QUESTION 416

- (Exam Topic 2)

The balanced scorecard approach differs from traditional performance measurement approaches because it adds which of the following measures?

- * 1. Financial measures
- * 2. Internal business process measures.
- * 3. Client satisfaction measures
- * 4. Innovation and learning measures

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

Answer: D

NEW QUESTION 418

- (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 420

- (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 425

- (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 428

- (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 431

- (Exam Topic 2)

Which of the following would be a risk in the development of end-user computing (EUC) applications, compared to traditional information systems?

- A. Management might place the same degree of reliance in reports produced by EUC applications as it does in reports produced under traditional systems development procedures .
- B. The organization may incur higher application development and maintenance costs for EUC systems.
- C. Since development time is typically longer for EUC applications, management may not be able to respond quickly to competitive pressures
- D. Management may not be able to make quick and accurate decisions due to a diminished capacity to respond to managerial requests for computerized information

Answer: A

NEW QUESTION 433

- (Exam Topic 2)

Which of the following IT operational areas is responsible for the integrity of data flow within an organization?

- A. Network
- B. Database
- C. Operating system
- D. Server

Answer: A

NEW QUESTION 435

- (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 436

- (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 441

- (Exam Topic 2)

According to IIA guidance, which of the following is the correct order to conduct a business impact analysis (BIA) for the potential loss of an organization's network services"

- * 1. identify resources and partners to provide required recovery services
- * 2. Identify the business processes supporting the network functionality
- * 3. Obtain approval of the BIA from the operating managers relative to their areas of responsibility
- * 4. Identify the business impact if the network services cannot be performed

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

Answer: B

NEW QUESTION 442

- (Exam Topic 2)

With regard to disaster recovery planning, which of the following would most likely involve stakeholders from several departments?

- A. Determining the frequency with which backups will be performed.
- B. Prioritizing the order in which business systems would be restored.
- C. Assigning who in the IT department would be involved in the recovery procedures.
- D. Assessing the resources needed to meet the data recovery objectives

Answer: B

NEW QUESTION 445

- (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 447

- (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 449

- (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 453

- (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 458

- (Exam Topic 2)

In an organization's established accounts payable department employees perform highly structured activities follow clearly defined procedures and have strict deadlines for performing their tasks The head of the department recently retired, and a new department head was hired To achieve the greatest benefit for this department and avoid redundancy the new leader should adopt which of the following leadership styles?

- A. Achievement-oriented style
- B. People-oriented style
- C. Goal-oriented style
- D. Task-oriented style

Answer: C

NEW QUESTION 461

- (Exam Topic 2)

Which of the following is a project planning methodology that involves a complex series of required simulations to provide information about schedule risk?

- A. Monte Carlo Analysis
- B. Project Management Information System (PMIS)
- C. Earned Value Management (EVM).
- D. Integrated Project Plan
- E. A

Answer: E

NEW QUESTION 462

- (Exam Topic 2)

Which of the following principles is shared by both hierarchical and open organizational structures?

- * 1. A superior can delegate the authority to make decisions but cannot delegate the ultimate responsibility for the results of those decisions
- * 2. A supervisor's span of control should not exceed seven subordinates
- * 3. Responsibility should be accompanied by adequate authority
- * 4. Employees at all levels should be empowered to make decisions.

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

Answer: A

NEW QUESTION 466

- (Exam Topic 2)

Which of the following is an example of a smart device security control intended to prevent unauthorized users from gaining access to a device's data or applications?

- A. Anti-malware software.
- B. Authentication.
- C. Spyware.
- D. Rooting.

Answer: B

NEW QUESTION 469

- (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 472

- (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 474

- (Exam Topic 2)

While reviewing the contracts for a large city, the internal auditor learns that the organization contracted to perform trash collection is paid based on the number of bins emptied each week. As a result, the city has minimal control over payments. Which of the following actions should the auditor recommend to give the city greater control over payments?

- A. Change the contract so payment is based on the distances traveled by the contractor during collection.
- B. Renegotiate a lump-sum contract when the contract is up for renewal.
- C. Assign a city employee to verify the number of bins emptied each day.
- D. Require that the contractor provide supervisory review of the number of bins emptied each day.

Answer: B

NEW QUESTION 479

- (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 483

- (Exam Topic 2)

Which of the following financial instruments should be recorded at fair market value on the financial statements?

- A. Accounts receivable in the short term.
- B. Bonds to be held to maturity.
- C. Notes receivable in the short term.
- D. Bonds to be held for sale in the short term.

Answer: D

NEW QUESTION 484

- (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 488

- (Exam Topic 2)

Which of the following is applicable to 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 492

- (Exam Topic 2)

Which of the following options correctly defines a transmission control protocol/Internet protocol (TCP/IP)?

- A. System software that acts as an interface between a user and a computer.
- B. A standardized set of guidelines that facilitates communication between computers on different networks.
- C. System software that translates hypertext markup language to allow users to view a remote webpage.
- D. A network of servers used to control a variety of mission-critical operations.

Answer: B

NEW QUESTION 494

- (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 496

- (Exam Topic 2)

Which of the following best demonstrates an organization's ability to recover from a disaster?

- A. Hot site
- B. Cold site
- C. Redundant data center
- D. Regular testing of the disaster plan

Answer: D

NEW QUESTION 498

- (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 firms
- E. large-scale firms

Answer: B

NEW QUESTION 499

- (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 500

- (Exam Topic 2)

In which of the following plans is an employee most likely to find guidance on action and performance standards?

- A. Operational plans.
- B. Tactical plans.
- C. Strategic plans.
- D. Mission plans.

Answer: A

NEW QUESTION 501

- (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 505

- (Exam Topic 2)

An organization invests excess short-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 506

- (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 510

- (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 514

- (Exam Topic 2)

According to HA guidance on IT which of the following spreadsheets is most likely to be considered a high-risk user-develop application?

- A. A revenue calculation spreadsheet supported with price and volume reports from the production department
- B. An asset retirement calculation spreadsheet comprised of multiple formulas and assumptions
- C. An ad-hoc inventory listing spreadsheet comprising details of written-off inventory quantities
- D. An accounts receivable reconciliation spreadsheet used by the accounting manager to verify balances.

Answer: B

NEW QUESTION 519

- (Exam Topic 2)

When management uses the absorption costing approach, fixed manufacturing overhead costs are classified as which of the following types of costs?

- A. Direct product costs
- B. Indirect product costs
- C. Direct period costs
- D. Indirect period costs.

Answer: A

NEW QUESTION 520

- (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 523

- (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 528

- (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 532

- (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 534

- (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 539

- (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 544

- (Exam Topic 2)

An internal auditor observed that the organization's disaster recovery solution will make use of a code site in a town several miles away Which of the following is likely to be a characteristic of this disaster recovery solution?

- A. Data is synchronized in real time
- B. Recovery time is expected to be less than one week
- C. Servers are not available and need to be procured
- D. Recovery resources and data restore processes have not been defined

Answer:

C

NEW QUESTION 545

- (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 software
- F. The software locks the organization's operating system until a ransom is paid.
- G. An organization's communication systems have been intercepted
- H. A communication session is controlled by an unauthorized third party.

Answer: A

NEW QUESTION 547

- (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 549

- (Exam Topic 2)

An organization recently documented its procedures for recovering systems and data after a disaster. How are these documented procedures most likely to be used during a disaster simulation exercise?"

- A. To help properly configure mass communication notification tools
- B. To help identify training needs across the functional areas required to recover systems and data.
- C. To help ensure that the team members who are required to recover systems and data understand their roles.
- D. To help validate the contact information of key personnel required to recover systems and data

Answer: C

NEW QUESTION 553

- (Exam Topic 2)

An internal audit manager is explaining to a newly hired staff auditor the various analytics techniques frequently used by the internal audit activity. Which of the following statements is true regarding these analytics techniques?

- A. Process mining is a type of data analysis where the data subject is a process
- B. Process analysis is a type of data mining where the data subject is a designated area of a process
- C. Data mining is a type of data analysis that focuses on finding statistical relationships in order to create profiles
- D. Data mining involves examining small amounts of structured data in a systematic manner

Answer: C

NEW QUESTION 556

- (Exam Topic 2)

During which phase of the contracting 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 561

- (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 564

- (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 569

- (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 573

- (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 577

- (Exam Topic 2)

A rapidly expanding retail organization continues to be tightly controlled by its original small management team. Which of the following is a potential risk in this vertically centralized organization?

- A. Lack of coordination among different business units.
- B. Operational decisions are inconsistent with organizational goals.
- C. Suboptimal decision-making.
- D. Duplication of business activities.

Answer: C

NEW QUESTION 582

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