

IIA

Exam Questions IIA-CIA-Part3

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



NEW QUESTION 1

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 2

- (Exam Topic 1)

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 3

- (Exam Topic 1)

Which of the following application-based controls is an example of a programmed edit check?

- A. Reasonableness check.
- B. Transaction log.
- C. Input error correction.
- D. Authorization for access.

Answer: A

NEW QUESTION 4

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 5

- (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 6

- (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 7

- (Exam Topic 1)

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

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

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

Answer: C

NEW QUESTION 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)

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 10

- (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 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 13

- (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 16

- (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 18

- (Exam Topic 1)

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

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

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

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

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

Answer: D

NEW QUESTION 21

- (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 25

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 30

- (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 35

- (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 39

- (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 41

- (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 46

- (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 49

- (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 50

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 55

- (Exam Topic 1)

Refer to the exhibit.

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

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

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

Answer: A

NEW QUESTION 60

- (Exam Topic 1)

Which of the following is the best approach to overcome entry barriers into a new business?

- A. Offer a standard product that is targeted in the recognized market.
- B. Invest in commodity or commodity-like product businesses.
- C. Enter into a slow-growing market.
- D. Use an established distribution relationship.

Answer: D

NEW QUESTION 63

- (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 67

- (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 71

- (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 74

- (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 76

- (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 80

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 81

- (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 82

- (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 87

- (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 90

- (Exam Topic 1)

According to IIA guidance, which of the following is a typical risk associated with the tender process and contracting stage of an organization's IT outsourcing life cycle?

- A. The process is not sustained and is not optimized as planned.
- B. There is a lack of alignment to organizational strategies.
- C. The operational quality is less than projected.
- D. There is increased potential for loss of assets.

Answer: D

NEW QUESTION 95

- (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 96

- (Exam Topic 1)

Which of the following descriptions of the internal control system are indicators that risks are managed effectively?

- * 1. Existing controls promote compliance with applicable laws and regulations.
- * 2. The control environment is designed to address all identified risks to the organization.
- * 3. Key controls for significant risks to the organization remain consistent over time.
- * 4. Monitoring systems are in place to alert management to unexpected events.

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

Answer: B

NEW QUESTION 100

- (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 104

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 107

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 111

- (Exam Topic 1)

Which of the following strategies is most appropriate for an industry that is in decline?

- A. Invest in marketing.
- B. Invest in research and development.
- C. Control costs.
- D. Shift toward mass production.

Answer: C

NEW QUESTION 112

- (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 116

- (Exam Topic 1)

Which of the following best describes a market signal?

- A. The bargaining power of buyers is forcing a drop in market prices.
- B. There is pressure from the competitor's substitute products.
- C. Strategic analysis by the organization indicates feasibility of expanding to new market niches.
- D. The competitor announces a new warranty program.

Answer: D

NEW QUESTION 119

- (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 120

- (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 123

- (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 126

- (Exam Topic 1)

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

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

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

Answer: C

NEW QUESTION 130

- (Exam Topic 1)

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 135

- (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 139

- (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 143

- (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 146

- (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 148

- (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 152

- (Exam Topic 1)

A supervisor receives a complaint from an employee who is frustrated about having to learn a new software program. The supervisor responds that the new software will enable the employee to work more efficiently and with greater accuracy. This response is an example of:

- A. Empathetic listening.
- B. Reframing.
- C. Reflective listening.
- D. Dialogue.

Answer: B

NEW QUESTION 155

- (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 156

- (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 161

- (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 164

- (Exam Topic 1)

Within an enterprise, IT governance relates to the:

- * 1. Alignment between the enterprise's IT long term plan and the organization's objectives.
- * 2. Organizational structures of the company that are designed to ensure that IT supports the organization's strategies and objectives.
- * 3. Operational plans established to support the IT strategies and objectives.
- * 4. Role of the company's leadership in ensuring IT supports the organization's strategies and objectives.

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

Answer: C

NEW QUESTION 166

- (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 170

- (Exam Topic 1)

Which of the following borrowing options is an unsecured loan?

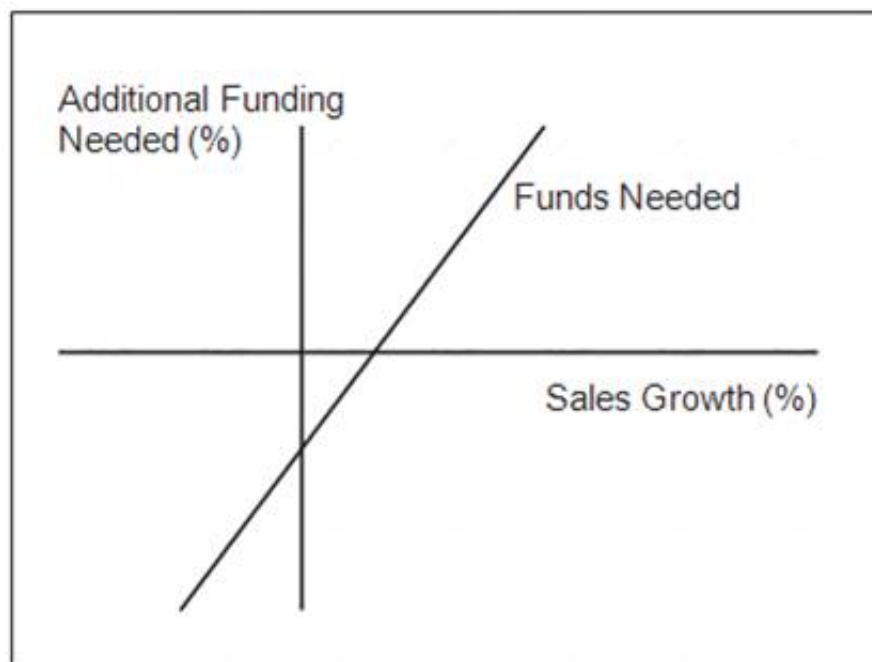
- A. Second-mortgage financing from a bank.
- B. An issue of commercial paper.
- C. Pledged accounts receivable.
- D. Asset-based financing.

Answer: B

NEW QUESTION 171

- (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 175

- (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 180

- (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 181

- (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 185

- (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 187

- (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 192

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 197

- (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 201

- (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 203

- (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 204

- (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 208

- (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 213

- (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

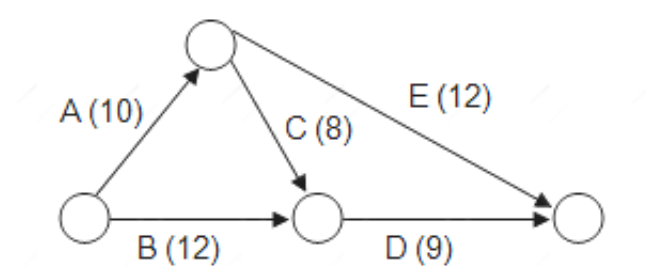
Answer: B

NEW QUESTION 215

- (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 218

- (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 223

- (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 227

- (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 229

- (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 232

- (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 237

- (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 239

- (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 241

- (Exam Topic 1)

Refer to the exhibit.

Cash	\$100
Accounts receivable	200
Inventory	50
Net fixed assets	600
Total	\$950
Accounts payable	\$140
Long-term debt	300
Capital stock	260
Retained earnings	250
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 243

- (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 244

- (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 246

- (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 249

- (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 254

- (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 258

- (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 263

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 265

- (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 269

- (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 273

- (Exam Topic 1)

Which of the following IT strategies is most effective for responding to competitive pressures created by the marketplace?

- A. Promote closer linkage between organizational strategy and information.
- B. Provide users with greater online access to information systems.
- C. Enhance the functionality of application systems.
- D. Expand the use of automated controls.

Answer: C

NEW QUESTION 277

- (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 282

- (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 285

- (Exam Topic 1)

Which of the following would not impair the objectivity of internal auditor?

- A. Management assurance on risks.
- B. Implementing risk responses on behalf of management.
- C. Providing assurance that risks assessed are correctly evaluated.
- D. Setting the risk appetite.

Answer: C

NEW QUESTION 290

- (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 294

- (Exam Topic 2)

Which of the following accounting methods is an investor organization likely to use when buying 40 percent of the stock of another organization?

- A. Cost method
- B. Equity method
- C. Consolidation method
- D. Fair value method

Answer: B

NEW QUESTION 297

- (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 298

- (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 303

- (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 305

- (Exam Topic 2)

The following transactions and events occurred during the year:

	January 1	December 31
Finished goods	\$90,000	\$260,000
Raw materials	\$105,000	\$130,000
Work in process	\$220,000	\$175,000

- \$300,000 of raw materials were purchased, of which \$20,000 were returned because of defects
- \$600,000 of direct labor costs were incurred.
- \$750,000 of manufacturing overhead costs were incurred. What is the organization's cost of goods sold for the year?

- A. \$1,480,000
- B. \$1,500,000
- C. \$1,610,000
- D. \$1,650,000

Answer: B

NEW QUESTION 307

- (Exam Topic 2)

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

- A. \$266,667
- B. \$416,667
- C. \$3,750,000
- D. \$5,000,000

Answer: C

NEW QUESTION 312

- (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 317

- (Exam Topic 2)

An organization's headquarters is centrally located and the organization runs numerous computer applications in multiple sites. Which of the following would be the most appropriate approach for conducting an audit of the mainframe computer?

- A. Conduct an individual audit of the mainframe general controls and separate application control audits of the individual applications in a phased manner
- B. Conduct a single consolidated audit of both the mainframe general controls and the application controls for all of the applications that use the mainframe
- C. Conduct individual audits of each application and include in each audit the general controls of the mainframe relevant to the individual application
- D. Conduct a series of location-based audits that cover both the general and application IT controls in systems across the location

Answer: A

NEW QUESTION 318

- (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 320

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 322

- (Exam Topic 2)

A bicycle manufacturer incurs a combination of fixed and variable costs with the production of each bicycle. Which of the following statements is true regarding 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 325

- (Exam Topic 2)

Which of the following is based on the concept that there is not one best leadership style and that successful leadership depends on a match between the leader, the situation, and the subordinate?

- A. Attribute theory.
- B. Path goal model.
- C. Life cycle model.
- D. Contingency theory.

Answer: D

NEW QUESTION 330

- (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 333

- (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 338

- (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 339

- (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 342

- (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 347

- (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 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 350

- (Exam Topic 2)

An internal auditor is evaluating an organization's business continuity management program According to HA guidance on IT. which of the following tests would best demonstrate the ability to perform Key processes without significant problems?

- A. End-to-end testing
- B. IT systems and application walkthrough
- C. Tabletop or boardroom-style testing
- D. Desk check testing

Answer: A

NEW QUESTION 353

- (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)

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 360

- (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 362

- (Exam Topic 2)

How do data analysis technologies affect internal audit testing?

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

Answer: B

NEW QUESTION 366

- (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 368

- (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 369

- (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 374

- (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 375

- (Exam Topic 2)

Which of the following statements is true regarding partnership liquidation?

- A. Operations can continue after the liquidation if all partners agree.
- B. Partnership liquidation ends both the legal and economic life of an entity.
- C. Partnership liquidation occurs when there is capital deficiency.
- D. When a partnership is liquidated, each partner pays creditors from cash received.

Answer: B

NEW QUESTION 376

- (Exam Topic 2)

As it relates to the data analytics process, which of the following best describes the purpose of an internal auditor who cleaned and normalized data?

- A. The auditor eliminated duplicate information.
- B. The auditor organized data to minimize useless information.
- C. The auditor made data usable for a specific purpose by ensuring that anomalies were identified and corrected.
- D. The auditor ensured data fields were consistent and that data could be used for a specific purpose.

Answer: C

NEW QUESTION 378

- (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 380

- (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 outside network?

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

Answer: C

NEW QUESTION 385

- (Exam Topic 2)

Which of the following data analytics tools would be applied by an internal audit activity positioned at the lowest level of maturity?

- A. Workflow and data capture technology
- B. Data visualization applications.
- C. Software integrated with central data warehouse
- D. Spreadsheets.

Answer: D

NEW QUESTION 387

- (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 389

- (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 394

- (Exam Topic 2)

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

- A. It is particularly helpful to management when the organization is facing rapid change.
- B. It is a more successful approach when adopted by mechanistic organizations.

- C. It is more successful when goal-setting is performed not only by management, but by an team members, including lower-level staff.
- D. It is particularly successful in environments that are prone to having poor employer-employee relations

Answer: C

NEW QUESTION 398

- (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 403

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 405

- (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 407

- (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 412

- (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 417

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 421

- (Exam Topic 2)

According to MA guidance, which of the following would indicate poor change management control?

- * 1. Low change success rate
- * 2. Occasional planned outages
- * 3. Low number of emergency changes.
- * 4. Instances of unauthorized changes

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

Answer: B

NEW QUESTION 423

- (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 427

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 431

- (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 436

- (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 441

- (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 446

- (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 450

- (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 452

- (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 455

- (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 457

- (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 462

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 463

- (Exam Topic 2)

An internal auditor has been approved to gather data directly from the organization's relational database management system for data analysis. To collect the data, which of the following is most important for the auditor to know?

- A. Structured query language
- B. Spreadsheet software such as Excel

- C. Data management system such as Oracle
- D. Basic web development

Answer: A

NEW QUESTION 464

- (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 467

- (Exam Topic 2)

An employee frequently uses a personal smart device to send and receive work-related emails. Which of the following controls would be most effective to mitigate security risks related to these transmissions?

- A. Hardware encryption.
- B. Software encryption
- C. Data encryption.
- D. Authentication.

Answer: C

NEW QUESTION 472

- (Exam Topic 2)

Which of the following application controls is the most dependent on the password owner?

- A. Password selection
- B. Password aging
- C. Password lockout
- D. Password rotation

Answer: A

NEW QUESTION 477

- (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 478

- (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 480

- (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 483

- (Exam Topic 2)

When using cost-volume-profit analysts 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 488

- (Exam Topic 2)

Which of the following statements is most accurate with respect to various forms, elements, and characteristics of business contracts?

- A. A contract is a tool used by both suppliers and customers, the model and complexity of which generally remains constant
- B. Collaboration during contract negotiation encourages stakeholders to develop consensus but typically increases cycle times and the likelihood that the contract will fail
- C. Differing legal requirements affect the attitudes of contracting parties as well as the length content and language of contracts
- D. A contract is a tool used by both suppliers and customers though it offers commercial assurance of the relationship, purely from a customer perspective

Answer: C

NEW QUESTION 491

- (Exam Topic 2)

An internal auditor is assessing the risks related to an organization's mobile device policy. She notes that the organization allows third parties (vendors and visitors) to use outside smart devices to access its proprietary networks and systems. Which of the following types of smart device risks should the internal auditor be most concerned about?

- A. Compliance
- B. Privacy
- C. Strategic
- D. Physical security.

Answer: A

NEW QUESTION 494

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 499

- (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 employee turnover

Answer: B

NEW QUESTION 502

- (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 507

- (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 512

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 517

- (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 518

- (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 521

- (Exam Topic 2)

Which of the following best describes the purpose of disaster recovery planning?

- A. To reconstitute systems efficiently following a disruptive event.
- B. To define rules on how devices within the system should communicate after a disaster.
- C. To describe how data should move from one system to another system in case of an emergency.
- D. To establish a protected area of network that is accessible to the public after a disaster

Answer: A

NEW QUESTION 523

- (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 527

- (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 529

- (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 532

- (Exam Topic 2)

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

- A. Identity 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 537

- (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 analysts 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 540

- (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 543

- (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 545

- (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 550

- (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 551

- (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 554

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