

Exam Questions IIA-CIA-Part3

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

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

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

Answer: D

NEW QUESTION 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)

When initiating international ventures, an organization should consider cultural dimensions in order to prevent misunderstandings. Which of the following does not represent a recognized cultural dimension in a work environment?

- A. Self control.
- B. Power distance.
- C. Masculinity versus femininity.
- D. Uncertainty avoidance.

Answer: A

NEW QUESTION 7

- (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 8

- (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 9

- (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 10

- (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 10

- (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 13

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 15

- (Exam Topic 1)

The market price is the most appropriate transfer price to be charged by one department to another in the same organization for a service provided when:

- A. There is an external market for that service.
- B. The selling department operates at 50 percent of its capacity.
- C. The purchasing department has more negotiating power than the selling department.
- D. There is no external market for that service.

Answer: A

NEW QUESTION 16

- (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 19

- (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 22

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 23

- (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 26

- (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 27

- (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 31

- (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 34

- (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 39

- (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 42

- (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 45

- (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 statements accurately describes one of the characteristics that distinguishes a multinational company from a domestic company?

- A. A multinational company has stockholders in other countries.
- B. A multinational company exports its products to other countries.
- C. A multinational company operates outside of its country of origin.
- D. A multinational company uses raw materials and components from more than one country.

Answer: C

NEW QUESTION 50

- (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 53

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 57

- (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 58

- (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 63

- (Exam Topic 1)

An organization uses a database management system (DBMS) as a repository for data. The DBMS, in turn, supports a number of end-user developed applications which were created using fourth-generation programming languages. Some of the applications update the database. Which of the following is the most important control related to the integrity of the data in the database?

- A. End users have their read-only applications approved by the information systems department before accessing the database.
- B. Concurrency update controls are in place.
- C. End-user applications are developed on personal computers before being implemented on the mainframe.
- D. A hierarchical database model is adopted so that multiple users can be served at the same time.

Answer: B

NEW QUESTION 67

- (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 69

- (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 71

- (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)

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 77

- (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 82

- (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 84

- (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 85

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 87

- (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 91

- (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 95

- (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 96

- (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 98

- (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 103

- (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 108

- (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 113

- (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 118

- (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 123

- (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 125

- (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 130

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 133

- (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 134

- (Exam Topic 1)

According to the International Professional Practices Framework, which of the following statements is true regarding a corporate social responsibility (CSR) program?

- * 1. Every employee generally has a responsibility for ensuring the success of CSR objectives.
- * 2. The board has overall responsibility for the effectiveness of internal control processes associated with CSR.
- * 3. Public reporting on the CSR governance process is expected.
- * 4. Organizations generally have flexibility regarding what is included in a CSR program.

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

Answer: B

NEW QUESTION 137

- (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 138

- (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 141

- (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 144

- (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 145

- (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 146

- (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 148

- (Exam Topic 1)

Which of the following statements is false regarding the internal audit approach when a set of standards other than The IIA's Standards is applicable to a specific engagement?

- A. The internal auditor may cite the use of other standards during audit communications.
- B. If the other standards are government-issued, the internal auditor should apply them in conjunction with The IIA's Standards.
- C. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the more restrictive standards.
- D. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the less restrictive standards.

Answer: D

NEW QUESTION 150

- (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 152

- (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 153

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 154

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 156

- (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 161

- (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 164

- (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 167

- (Exam Topic 1)

Which of the following is an example of a nonfinancial internal failure quality cost?

- A. Decreasing gross profit margins over time.
- B. Foregone contribution margin on lost sales.
- C. Defective units shipped to customers.
- D. Excessive time to convert raw materials into finished goods.

Answer: D

NEW QUESTION 170

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 175

- (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 180

- (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.

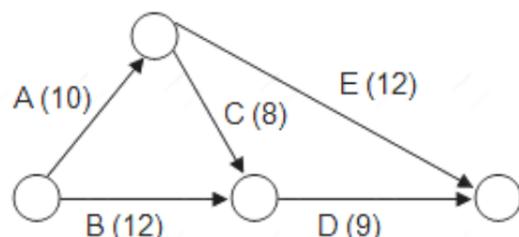
Answer: B

NEW QUESTION 183

- (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 184

- (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 189

- (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 190

- (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 191

- (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 194

- (Exam Topic 1)

Which of the following is a limiting factor for capacity expansion?

- A. Government pressure on organizations to increase or maintain employment.
- B. Production orientation of management.
- C. Lack of credible market leader in the industry.
- D. Company diversification.

Answer: D

NEW QUESTION 196

- (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 197

- (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 201

- (Exam Topic 1)

According to the waterfall cycle approach to systems development, which of the following sequence of events is correct?

- A. Program design, system requirements, software design, analysis, coding, testing, operations.
- B. System requirements, software design, analysis, program design, testing, coding, operations.
- C. System requirements, software design, analysis, program design, coding, testing, operations.
- D. System requirements, analysis, coding, software design, program design, testing, operations.

Answer: C

NEW QUESTION 206

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 210

- (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 215

- (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 220

- (Exam Topic 1)

An organization's balance sheet indicates that the total asset amount and the total capital stock amount remained unchanged from one year to the next, and no dividends were declared or paid. However, the organization reported a loss of \$200,000. Which of the following describes the most likely year-over-year change to the organization's total liabilities and total stockholder equity?

- A. The total liabilities and total stockholder equity both increased.
- B. The total liabilities and total stockholder equity both decreased.
- C. The total liabilities decreased, and the total stockholder equity increased.
- D. The total liabilities increased, and the total stockholder equity decreased.

Answer: D

NEW QUESTION 222

- (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 224

- (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 228

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 229

- (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 233

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 237

- (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 239

- (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 241

- (Exam Topic 1)

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

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

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

Answer: C

NEW QUESTION 242

- (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 246

- (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 247

- (Exam Topic 1)

Which audit approach should be employed to test the accuracy of information housed in a database on an un-networked computer?

- A. Submit batches of test transactions through the current system and verify with expected results.
- B. Use a test program to simulate the normal data entering process.
- C. Select a sample of records from the database and ensure it matches supporting documentation.
- D. Evaluate compliance with the organization's change management process.

Answer: C

NEW QUESTION 251

- (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 252

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 256

- (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 258

- (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 259

- (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 261

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 265

- (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 269

- (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 272

- (Exam Topic 2)

Which of the following statements about mentoring is true?

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

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

Answer: A

NEW QUESTION 273

- (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 278

- (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 281

- (Exam Topic 2)

The greatest advantage of functional departmentalization is that it:

- A. Facilitates communication between primary functions.
- B. Helps to focus on the achievement of organizational goals.
- C. Provides for efficient use of specialized knowledge .
- D. Accommodates geographically dispersed companies

Answer: C

NEW QUESTION 284

- (Exam Topic 2)

An investor has acquired an organization that has a dominant position in a mature, slow-growth industry and consistently creates positive financial income. Which of the following terms would the investor most likely label this investment in her portfolio?

- A. A star
- B. A cash cow
- C. A Question mark
- D. A dog

Answer: B

NEW QUESTION 288

- (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 292

- (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 296

- (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 301

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 306

- (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 310

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 313

- (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 315

- (Exam Topic 2)

Which of the following characteristics is most important specifically for a global manager to possess in order to be successful?

- A. Knowledge of different languages.
- B. Understanding of uncertainty avoidance differences
- C. Emotional intelligence
- D. Cultural intelligence

Answer: D

NEW QUESTION 320

- (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 324

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 326

- (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 329

- (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 334

- (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 339

- (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 343

- (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 346

- (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 351

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 355

- (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 357

- (Exam Topic 2)

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

- A. Automated password change requirements
- B. System data backup process
- C. User testing of system changes
- D. Formatted data fields

Answer: D

NEW QUESTION 360

- (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 362

- (Exam Topic 2)

Which of the following is a systems software control?

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

Answer: A

NEW QUESTION 365

- (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 368

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 370

- (Exam Topic 2)

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

- A. Revoking the former employee's biometrics from the entrance systems
- B. Installing security guards who have undergone a background check at all entrances.
- C. Installing multiple high-powered surveillance cameras throughout the organization
- D. Keeping doors locked and accessible with a key that is provided only to employees

Answer: A

NEW QUESTION 373

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 375

- (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 380

- (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 385

- (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 387

- (Exam Topic 2)

According to MA guidance on IT which of the following best describes a but recovery and restore processes have not been defined?

- A. Hot recovery plan
- B. Warm recovery plan
- C. Cold recovery plan.
- D. Absence of recovery plan

Answer: D

NEW QUESTION 388

- (Exam Topic 2)

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

- A. Application control.

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

Answer: B

NEW QUESTION 392

- (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 395

- (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 396

- (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 397

- (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 398

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 402

- (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 406

- (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 411

- (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 413

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 415

- (Exam Topic 2)

According to IIA guidance, which of the following is a primary component of a network security strategy?

- A. Application input controls
- B. Firewall controls.
- C. Transmission encryption controls
- D. Change management controls

Answer: B

NEW QUESTION 417

- (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 418

- (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 420

- (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 422

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 427

- (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 431

- (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 435

- (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 437

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 439

- (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 442

- (Exam Topic 2)

An organization has started allowing employees to use their personal smart devices to accept vendor payments. What should the organization's bring-your-own-device (BYOD) policy include to specifically address security and privacy required by the Payment Card Data Security Standard (PCI DSS)?

- A. Approved devices
- B. Mobile applications
- C. Data storage.
- D. Backups and transfers

Answer: C

NEW QUESTION 444

- (Exam Topic 2)

In the years after the mind-service point of a depreciable asset which of the following depreciation methods will result in the highest depreciation expense?

- A. Sum of the years' digits
- B. Declining balance
- C. Double-declining balance
- D. Straight line

Answer: A

NEW QUESTION 445

- (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 448

- (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 451

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 456

- (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 459

- (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 461

- (Exam Topic 2)

Which of the following is true of matrix organizations?

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

Answer: B

NEW QUESTION 463

- (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 465

- (Exam Topic 2)

Which of the following is the best example of a compliance risk that is likely to arise when adopting a bring-your-own-device (BYOD) policy?

- A. The risk that users try to bypass controls and do not install required software updates.
- B. The risk that smart devices can be lost or stolen due to their mobile nature.
- C. The risk that an organization intrusively monitors personal information stored on smart devices.
- D. The risk that proprietary information is not deleted from the device when an employee leaves.

Answer: C

NEW QUESTION 468

- (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 469

- (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 474

- (Exam Topic 2)

An organization with global headquarters in the United States has subsidiaries in eight other nations. If the organization operates with an ethnocentric attitude, which of the following statements is true?

- A. Standards used for evaluation and control are determined at local subsidiaries, not set by headquarters.
- B. Orders, commands and advice are sent to the subsidiaries from headquarters.
- C. People of local nationality are developed for the best positions within their own country

D. There is a significant amount of collaboration between headquarters and subsidiaries.

Answer: B

NEW QUESTION 477

- (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 481

- (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 485

- (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 487

- (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 488

- (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 492

- (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 497

- (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 500

- (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 504

- (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 505

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 509

- (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 512

- (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 517

- (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 522

- (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 not.
- 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 527

- (Exam Topic 2)

In which of the following scenarios would transfer pricing be used?

- A. Company A owns Company B; Company B sells goods to Company A.
- B. Company A does not own Company B.
- C. Company A charges Company B a fee to sell Company B's goods without taking ownership of the goods.
- D. Company A owns both Company B and Company C; all three companies sell goods to the public.
- E. Company A moves goods internally from one location to another.

Answer: A

NEW QUESTION 528

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 531

- (Exam Topic 2)

Which of the following is classified as a product cost using the variable costing method?

- * 1. Direct labor costs
- * 2. Insurance on a factory.
- * 3. Manufacturing supplies.
- * 4. Packaging and shipping costs

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

Answer: B

NEW QUESTION 534

- (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 537

- (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 538

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 540

- (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 544

- (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 545

- (Exam Topic 2)

Which of the following network types should an organization choose if it wants to allow access only to its own personnel?

- A. An extranet
- B. A local area network.
- C. An intranet
- D. The internet

Answer: B

NEW QUESTION 549

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