

IIA-CIA-Part3 Dumps

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

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NEW QUESTION 1

- (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 2

- (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 3

- (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 4

- (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 5

- (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 6

- (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 7

- (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 8

- (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 9

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 10

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 10

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 13

- (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 16

- (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 19

- (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 24

- (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 27

- (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 31

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 33

- (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 38

- (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 39

- (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 44

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 46

- (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 49

- (Exam Topic 1)

All of the following are possible

Explanations for a significant unfavorable material efficiency variance except:

- A. Cutbacks in preventive maintenance.
- B. An inadequately trained and supervised labor force.
- C. A large number of rush orders.
- D. Production of more units than planned for in the master budget.

Answer: D

NEW QUESTION 53

- (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 57

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 62

- (Exam Topic 1)

Which of the following 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 64

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 69

- (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 70

- (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 73

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 74

- (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 76

- (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 79

- (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 83

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 85

- (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 86

- (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 90

- (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 95

- (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 100

- (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 103

- (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 105

- (Exam Topic 1)

An internal auditor performed a review of IT outsourcing and found that the service provider was failing to meet the terms of the service level agreement. Which of the following approaches is most appropriate to address this concern?

- A. The organization should review the skill requirements and ensure that the service provider is maintaining sufficient expertise and retaining skilled resources.
- B. The organization should proactively monitor the performance of the service provider, escalate concerns, and use penalty clauses in the contract where necessary.
- C. The organization should ensure that there is a clear management communication strategy and path for evaluating and reporting on all outsourced services concerns.
- D. The organization should work with the service provider to review the current agreement and expectations relating to objectives, processes, and overall performance.

Answer: B

NEW QUESTION 109

- (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 110

- (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 112

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 116

- (Exam Topic 1)

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

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

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

Answer: C

NEW QUESTION 121

- (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 124

- (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 129

- (Exam Topic 1)

An organization has recorded the following profit and expenses: Profit before interest and tax

\$200,000

Sales

\$2,300,000

Purchases of materials

\$700,000

Interest expenses

\$30,000

If the value-added tax (VAT) rate is 20 percent and the corporate tax rate is 30 percent, which of the following is the amount of VAT that the organization has to pay?

- A. \$34,000
- B. \$51,000
- C. \$60,000
- D. \$320,000

Answer: D

NEW QUESTION 131

- (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 132

- (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 136

- (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 140

- (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 145

- (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 147

- (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 152

- (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 153

- (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 156

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 157

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 158

- (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 161

- (Exam Topic 1)

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

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

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

Answer: C

NEW QUESTION 162

- (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 165

- (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 170

- (Exam Topic 2)

Much of the following authentication device credentials is the most difficult to revoke when an employee's access rights need to be removed?

- A. A traditional key lock
- B. A biometric device.
- C. A card-key system
- D. A proximity device

Answer: C

NEW QUESTION 174

- (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 178

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 182

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 184

- (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 189

- (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 194

- (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 195

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 198

- (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 202

- (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 205

- (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 209

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 212

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 216

- (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 217

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 221

- (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 225

- (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 227

- (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 228

- (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 232

- (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 237

- (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 238

- (Exam Topic 2)

An internal auditor is investigating a potential fraudulent activity. What is the first test the auditor should perform on the transaction data under scrutiny?

- A. Digital analysis for statistically unlikely occurrences that may indicate system tampering.
- B. Verification of the completeness and integrity of the obtained data.
- C. Detailed review of the data contents to strategize the best analytical techniques.
- D. Calculation of statistical parameters to identify outliers requiring further scrutiny.

Answer: B

NEW QUESTION 239

- (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 240

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 244

- (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 245

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 247

- (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 250

- (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 254

- (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 259

- (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 united IT access
- D. Hiring new personnel within the IT department for security purposes

Answer: D

NEW QUESTION 260

- (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 262

- (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 265

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 266

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 269

- (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 270

- (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 274

- (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 279

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 281

- (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 284

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 285

- (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 protocols such as HTTP or FTP

Answer: D

NEW QUESTION 288

- (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 289

- (Exam Topic 2)

Which of the following cybersecurity-related activities is most likely to be performed by the second line of defense?

- A. Deploy intrusion detection systems and conduct penetration testing
- B. Administer security procedures, training, and testing.
- C. Monitor incidents, key risk indicators, and remediation
- D. Implement vulnerability management with internal and external scans.

Answer:

D

NEW QUESTION 290

- (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 295

- (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 297

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 301

- (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 303

- (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 307

- (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 312

- (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 316

- (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 317

- (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 319

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 321

- (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 326

- (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 327

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 330

- (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 332

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 333

- (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 334

- (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 339

- (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 342

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 345

- (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 350

- (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 351

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 354

- (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 357

- (Exam Topic 2)

Which of the following IT-related activities is most commonly performed by the second line of defense?

- A. Block unauthorized traffic.
- B. Encrypt data.
- C. Review disaster recovery test results.
- D. Provide independent assessment of IT security.

Answer: C

NEW QUESTION 360

- (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 363

- (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 366

- (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 370

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 372

- (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 376

- (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 378

- (Exam Topic 2)

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

- A. Management by objectives is most helpful in organizations that have rapid changes.
- B. Management by objectives is most helpful in mechanistic organizations with rigidly defined tasks.
- C. Management by objectives helps organizations to keep employees motivated.
- D. Management by objectives helps organizations to distinguish clearly strategic goals from operational goals

Answer: C

NEW QUESTION 380

- (Exam Topic 2)

Which of the following is a primary driver behind the creation and prioritization of new strategic initiatives established by an organization?

- A. Risk tolerance
- B. Performance.
- C. Threats and opportunities.
- D. Governance

Answer: C

NEW QUESTION 382

- (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 387

- (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
- 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 390

- (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 391

- (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 393

- (Exam Topic 2)

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

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

Answer: C

NEW QUESTION 398

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