

IIA

Exam IIA-CIA-Part1

**Certified Internal Auditor - Part 1, The Internal Audit Activity's Role
in Governance, Risk, and Control**

Version: 8.0

[Total Questions: 566]

Topic break down

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Topic 1, Volume A**Question No : 1 - (Topic 1)**

Two individuals are being considered for an audit team that is to perform a highly technical review.

Which of the following situations would preclude selection of the individual for the audit due to an objectivity concern?

I. Person A is a member of the internal audit staff and has the required technical skills. Person A participated in a controls review of the system to be audited when it was being developed.

II. Person B is a technical specialist who understands the audit area but is not a member of the internal audit staff. Although person B has personal credibility in the information systems department to be audited, person B works for another department in the organization.

- A. I only
- B. II only
- C. Both I and II.
- D. Neither I nor II.

Answer: D

Question No : 2 - (Topic 1)

Which of the following would be the most useful in developing an annual audit plan?

- A. General purpose audit software.
- B. Voting software and hardware.
- C. Flowcharting and data capture software.
- D. Risk assessment software.

Answer: D

Question No : 3 - (Topic 1)

At the beginning of fieldwork in an audit of investments, an internal auditor noted that the interest rate had declined significantly since the engagement work program was created. The auditor should:

- A. Proceed with the existing program since this was the original scope of work that was approved.
- B. Modify the audit program and proceed with the engagement.
- C. Consult with management to verify the interest rate change and proceed with the engagement.
- D. Determine the effect of the interest rate change and whether the program should be modified.

Answer: D

Question No : 4 - (Topic 1)

Which of the following is an appropriate role for the board in governance?

- A. Preparing written organizational policies that relate to compliance with laws, regulations, ethics, and conflicts of interest.
- B. Ensuring that financial statements are understandable, transparent, and reliable.
- C. Assisting the internal audit activity in performing annual reviews of governance.
- D. Working with the organization's attorneys to develop a strategy regarding current litigation, pending litigation, or regulatory proceedings governance.

Answer: B

Question No : 5 - (Topic 1)

To determine if a new computer system is improving the use of a manufacturer's limited facilities in serving the largest number of customers, an auditor should compare.

- A. The number of reworked orders and their costs before and after system installation.
- B. Inventory and materials handling costs before and after system installation.
- C. The number of orders filled and their cycle times before and after system installation.
- D. The number of reworked orders and orders filled before and after system installation.

Answer: C

Question No : 6 - (Topic 1)

In order to provide the most useful information for an organization's risk management decisions, which of the following should be assessed?

- A. Risk levels for future events based on the degree of uncertainty of those events and their cost of mitigation.
- B. Inherent and control risks and their impact on the extent of financial misstatements.
- C. Risk levels of current and future events, their effect on the achievement of the organization's objectives, and their underlying causes.
- D. Risk levels of current and future events, their impact on the organization's mission, and the potential for the elimination of existing risk factors.

Answer: C

Question No : 7 - (Topic 1)

The chief audit executive should periodically report the internal audit activity's purpose, authority, responsibility, and performance, as well as significant risk exposures and control issues, to which of the following?

- I. Board of directors.
 - II. Senior management.
 - III. Shareholders.
 - IV. External auditors.
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- A. II only
 - B. I and II only
 - C. I, II, and III only
 - D. I, III, and IV only

Answer: B

Question No : 8 - (Topic 1)

Which of the following components influences the risk consciousness of an organization's people and is the basis for all other components of enterprise risk management?

- A. Objective setting.
- B. Information and Communication.
- C. Risk Assessment.
- D. Internal Environment.

Answer: D

Question No : 9 - (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

Question No : 10 - (Topic 1)

During a payroll audit of a large organization, an auditor noted that the assistant personnel director is responsible for many aspects of the computerized payroll system, including adding new employees in the system; entering direct-deposit information for employees; approving and entering all payroll changes; and providing training for system users. After discussions with the director of personnel, the auditor concluded that the director was not comfortable dealing with information technology issues and felt obliged to support all actions taken by the assistant director. The auditor should:

- A. Continue to follow the engagement program because the engagement scope and objectives have already been discussed with management.
- B. Review the engagement program to ensure testing of direct deposits to employee bank accounts is adequately covered.
- C. Recommend to the chief audit executive that a fraud investigation be started.
- D. Test a sample of payroll changes to ensure that they were approved by the assistant director before being processed.

Answer: B

Question No : 11 - (Topic 1)

After several years in the engineering department,an engineer was transferred to the internal audit department. One month later,the new auditor was assigned to an assurance engagement for the engineering department. When the auditor's former engineering supervisor suggested a change in the sample selection method,the auditor consulted with the audit supervisor. They determined that the suggested method would not be as representative and that the original selection method should be used. In this situation,the auditor:

- A. Maintained an independent mental attitude and is therefore objective.
- B. Has subordinated professional judgment,and objectivity is therefore impaired.
- C. Does not have objectivity since the auditor recently transferred from the engineering department.
- D. Does not have independent organizational status since the auditor recently transferred from the engineering department.

Answer: C

Question No : 12 - (Topic 1)

Which of the following best describes the underlying premise of the COSO enterprise risk management framework?

- A. Management should set objectives before assessing risk.
- B. Every entity exists to provide value for its stakeholders.
- C. Policies are established to ensure that risk responses are performed effectively.
- D. Enterprise risk management can minimize the impact and likelihood of unanticipated events.

Answer: B

Question No : 13 - (Topic 1)

In order to save time,an audit manager no longer required that a standard internal control questionnaire be completed for each audit engagement. Does this represent a violation of the Standards?

- A. Yes,because internal control should be evaluated on every engagement and the internal

control questionnaire is the mandated approach to evaluate controls.

B. Yes,because internal control should be evaluated on every engagement and the internal control questionnaire is the most efficient method to do so.

C. No,because auditors may omit necessary procedures if there is a time constraint,based on audit judgment.

D. No,because auditors are not required to complete internal control questionnaires on every engagement.

Answer: D

Question No : 14 - (Topic 1)

A manufacturer uses a materials requirements planning (MRP) system to track inventory,orders,and raw materials requirements. What condition should an auditor search for in the MRP database if a preliminary assessment indicated that inventory is understated?

I.Item cost set at zero.

II.Negative quantities on hand.

III.Order quantity exceeding requirements.

IV.Inventory lead times exceeding delivery schedule.

A. I and IIonly

B. I and IVonly

C. II and IVonly

D. III and IVonly

Answer: A

Question No : 15 - (Topic 1)

Which of the following is not an appropriate control related to sales in a manufacturing company?

A. Customers' orders are recorded promptly.

B. Goods shipped are matched with valid customer orders.

C. Goods returned are inspected for damage by the sales department and then entered

into inventory.

D. Credit department approval is required for credit sales transactions.

Answer: C

Question No : 16 - (Topic 1)

The primary reason that a bank would maintain a separate compliance function is to:

- A. Better manage perceived high risks.
- B. Strengthen controls over the bank's investments.
- C. Ensure the independence of line and senior management.
- D. Better respond to shareholder expectations.

Answer: A

Question No : 17 - (Topic 1)

A code of business conduct provides?

- A. A fraud avoidance plan that does not explicitly describe punishments for violations.
- B. A passive method of fraud deterrence.
- C. A program to anonymously report irregularities to authorities.
- D. An alternative to "tone at the top" programs.

Answer: B

Question No : 18 - (Topic 1)

According to the Standards, the organizational status of the internal audit activity:

- A. Must be sufficient to permit the accomplishment of its audit responsibilities.
- B. Is best when the reporting relationship is direct to the board of directors.
- C. Requires the board's annual approval of the audit schedules, plans, and budgets.
- D. Is guaranteed when the charter specifically defines its independence.

Answer: A

Question No : 19 - (Topic 1)

Which of the following describes a control weakness?

- A. Purchasing procedures are well designed and are followed unless otherwise directed by the purchasing supervisor.
- B. Pre-numbered blank purchase orders are secured within the purchasing department.
- C. Normal operational purchases fall in the range from \$500 to \$1,000 with two signatures required for purchases over \$1,000.
- D. The purchasing agent invests in a publicly traded mutual fund that lists the stock of one of the company's suppliers in its portfolio.

Answer: A

Question No : 20 - (Topic 1)

According to the International Professional Practices Framework, internal auditors should possess which of the following competencies?

- I. Proficiency in applying internal auditing standards, procedures, and techniques.
- II. Proficiency in accounting principles and techniques.
- III. An understanding of management principles.
- IV. An understanding of the fundamentals of economics, commercial law, taxation, finance, and quantitative methods.

- A. I only
- B. II only
- C. I and III only
- D. I, III, and IV only

Answer: D

Question No : 21 - (Topic 1)