

IIA

Exam IIA-CIA-Part2

Certified Internal Auditor - Part 2, Conducting the Internal Audit Engagement

Version: 8.0

[Total Questions: 508]

Topic break down

Topic	No. of Questions
Topic 1: Volume A	100
Topic 2: Volume B	100
Topic 3: Volume C	101
Topic 4: Volume D	99
Topic 5: Volume E	108

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

A code of ethics within the internal auditing profession is necessary in order to:

- A. Reduce the likelihood that members of the profession will be sued for substandard work.
- B. Ensure that all members of the profession perform at approximately the same level of competence.
- C. Provide guidance to internal auditors in their service to others.
- D. Require members of the profession to exhibit loyalty in all matters pertaining to the affairs of their organization.

Answer: C

Question No : 2 - (Topic 1)

If an auditor is sampling to test compliance with a particular company policy, which of the following factors should not affect the allowable level of sampling risk?

- A. The experience and knowledge of the auditor.
- B. The adverse consequences of noncompliance.
- C. The acceptable level of risk of making an incorrect audit conclusion.
- D. The cost of performing auditing procedures on sample selections.

Answer: A

Question No : 3 - (Topic 1)

What does the following scatter gram suggest?

- A. Sales revenue is related to training costs.
- B. The training program is not effective.
- C. Increases in training costs consistently increase sales revenue.
- D. One data point is incorrectly plotted.

Answer: A

Question No : 4 - (Topic 1)

An auditor decides to perform an inventory turnover analysis for both raw materials inventory and finished goods inventory. The analysis would be potentially useful in:

- I. Identifying products for which management has not been attuned to changes in market demand.
- II. Identifying potential problems in purchasing activities.
- III. Identifying obsolete inventory.

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

Answer: D

Question No : 5 - (Topic 1)

An audit of management's quality program includes testing the accuracy of the cost-of-quality reports provided to management. Which of the following internal control objectives is the focus of this testing?

- A. To ensure compliance with policies, plans, procedures, laws, and regulations.
- B. To ensure the accomplishment of established objectives and goals for operations or programs.
- C. To ensure the reliability and integrity of information.
- D. To ensure the economical and efficient use of resources.

Answer: C

Question No : 6 - (Topic 1)

A governmental auditor was assigned to determine reasons why the students in one region scored significantly higher on education evaluation tests than did the students in another region. Previous research showed that there is a direct correlation between public financial support and student results. Which of the following is most likely to explain the difference in the regional results?

- A. The more successful region spends 30 percent more money on education than does the other region.
- B. A higher percentage of the general tax fund is spent on education in the more successful region than in the other region.
- C. The more successful region spends more money per student on education than does the other region.
- D. The more successful region has increased educational spending by an average of 10 percent each year for the last three years, whereas the other region's increase averaged only three percent.

Answer: C

Question No : 7 - (Topic 1)

An organization's internal auditors are reviewing production costs at a gas-powered electrical generating plant. They identify a serious problem with the accuracy of carbon dioxide emissions reported to the environmental regulatory agency, due to computer errors. The auditors should immediately report the concern to:

- A. The regulatory agency.
- B. Plant management.
- C. A plant health and safety officer.
- D. The risk management function.

Answer: B

Question No : 8 - (Topic 1)

Which of the following will be an appropriate course of action when an auditor disagrees with a client about a well-documented audit finding?

- A. Include both the audit finding and the client's position in the audit report.
- B. Defer reporting the item and plan to perform more detailed work during the next audit.
- C. Change the finding so that it is acceptable to the client.
- D. Address the issue with senior management and the board for resolution prior to issuing the final report.

Answer: A

Question No : 9 - (Topic 1)

A film company determined that income level impacts the number of films that people watch per month, as shown by the graph below:

The graph indicates that:

- A. A richer person always sees more films than a poorer person.
- B. The number of films seen per month is a linear function of income level.
- C. A 20 percent pay increase is more likely to increase film viewing at lower income levels than at higher income levels.
- D. A 20 percent pay increase is likely to increase film viewing by a constant amount regardless of income level.

Answer: C

Question No : 10 - (Topic 1)

Which of the following procedures would provide the best evidence of the effectiveness of a credit-granting function?

- A. Observe the process.
- B. Review the trend in receivables write-offs.
- C. Ask the credit manager about the effectiveness of the function.
- D. Check for evidence of credit approval on a sample of customer orders.

Answer: B

Question No : 11 - (Topic 1)

What is the most important risk in determining the validity of construction delay claims?

- A. Contractor claims may be submitted prior to completion of the work.
- B. Contractor claims may include costs considered in the fixed-price portion of the work.
- C. Contractor claims may include subcontractor estimates of balances due to the subcontractor.
- D. Contractor claims may be understated.

Answer: B

Question No : 12 - (Topic 1)

In forming a team to investigate an organization's potential adoption of an activity-based costing system, the best reason to include an internal auditor on the team would be the auditor's knowledge of:

- A. Activities and cost drivers.
- B. Information processing procedures.
- C. Current product cost structures.
- D. Internal control alternatives.

Answer: D

Question No : 13 - (Topic 1)

An auditor prepared a workpaper that consisted of a list of employee names and identification numbers as well as the following statement:

“A statistical sample of 40 employee personnel files was selected to verify that they contain all documents required by company policy 501 (copy attached). No exceptions were noted.”

The auditor did not place any audit verification symbols on this workpaper. Which of the following changes would most improve the auditor's workpaper?

- A. Use of audit verification symbols to show that each file was examined.
- B. Removal of the employee names to protect their confidentiality.
- C. Justification for the sample size.
- D. Listing of the actual documents examined for each employee.

Answer: C

Question No : 14 - (Topic 1)

Which of the following situations would best support the decision of a chief audit executive (CAE) to defer follow-up activity at a branch office until the next audit engagement?

- A. An audit of the branch office is routinely scheduled every three years.
- B. On-site follow-up of a remote branch may not be feasible due to travel costs.
- C. Branch office management states that correction of the audit issue may take longer than expected.
- D. The CAE and management agree that the corrective action taken to date is sufficient.

Answer: D

Question No : 15 - (Topic 1)

An internal auditor is discussing an audit problem with an engagement client. While listening to the client, the internal auditor should:

- A. Prepare a response to the client.
- B. Take mental notes on the speaker's nonverbal communication, as it is more important than what is being said.
- C. Make sure that all details, as well as the main ideas of the client, are remembered.
- D. Integrate the incoming information from the client with information that is already known.

Answer: D

Question No : 16 - (Topic 1)

Which of the following, if observed, would not indicate the need to extend the search for other indicators of fraud in a purchasing department?

- A. The standard of living of one of the purchasing agents has increased.
- B. The internal control structure has significant weaknesses.
- C. The purchasing agents have convinced management to adopt a policy of paying vendors on a more timely basis in order to avoid incurring penalty charges.
- D. The cost of goods procured seems to be excessive in comparison with previous years.

Answer: C

Question No : 17 - (Topic 1)

Company A has a formal comprehensive corporate code of ethics while company B does not.

Which of the following statements regarding the existence of the code of ethics in company A can be logically inferred?

- I. Company A exhibits a higher standard of ethical behavior than does company B.
- II. Company A has established objective criteria by which an employee's actions can be evaluated.
- III. The absence of a formal corporate code of ethics in company B would prevent a successful audit of ethical behavior in that company.

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

Answer: A

Question No : 18 - (Topic 1)

The chief audit executive (CAE) determined that based on management's oral response, the action taken regarding an audit observation was sufficient when weighted against the relative importance of the audit recommendation. Which of the following is the most appropriate step for the internal auditor to take next?

- A. Initiate a follow-up audit to ensure that action has really been taken.
- B. Follow-up with management until a written response is obtained.
- C. Escalate the issue to the board and get their position on the issue.
- D. Note in the permanent file that follow-up needs to be performed as part of the next engagement.

Answer: D

Question No : 19 - (Topic 1)

Which of the following files, when compared with billing records, would provide the best

source of information for determining if all goods shipped are billed to customers?

- A. Pre-numbered customer invoices.
- B. Accounts receivable transactions.
- C. Pre-numbered shipping documents.
- D. Customer purchase orders.

Answer: C

Question No : 20 - (Topic 1)

An auditor used a questionnaire during an interview to gather information about the nature of credit sales processing. The questionnaire did not cover some pertinent information offered by the person being interviewed, and the auditor did not document the potential problems for further investigation.

The primary deficiency with the above process is that:

- A. The auditor failed to consider the importance of the information offered.
- B. A questionnaire was used in a situation where a structured interview should have been used.
- C. Using a questionnaire precludes the auditor from documenting other information.
- D. The engagement program was incomplete.

Answer: A

Question No : 21 - (Topic 1)

In a sampling application, the group of items about which the auditor wants to estimate some characteristic is called the.

- A. Population.
- B. Attribute of interest.
- C. Sample.
- D. Sampling unit.

Answer: A