

# **IIA**

## **Exam IIA-CIA-Part3**

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

Version: 6.0

**[ Total Questions: 220 ]**

**Question No : 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**

**Question No : 2**

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**

**Question No : 3**

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**

**Question No : 4**

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**

**Question No : 5**

Which of the following statements best describes the frameworks set forth by the International Standards Organization?

- A. Globally accepted standards for industries and processes.
- B. Bridging the gaps among control requirements, technical issues, and business risks.
- C. Practical guidance and benchmarks for all organizations that use information systems.
- D. Frameworks and guidance on enterprise risk management, internal control, and fraud deterrence.

**Answer: A**

**Question No : 6**

Technological uncertainty, subsidy, and spin-offs are usually characteristics of:

- A. Fragmented industries.

- B. Declining industries.
- C. Mature industries.
- D. Emerging industries.

**Answer: D**

**Question No : 7**

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**

**Question No : 8**

Which of the following best describes an objective for an audit of an environmental management system?

- A. To assess whether an annual control review is necessary.
- B. To determine conformance with requirements and agreements.
- C. To evaluate executive management oversight.
- D. To promote environmental awareness.

**Answer: B**

**Question No : 9**

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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**

**Question No : 10**

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**

**Question No : 11**

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**

**Question No : 12**

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**

**Question No : 13**

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**

**Question No : 14**

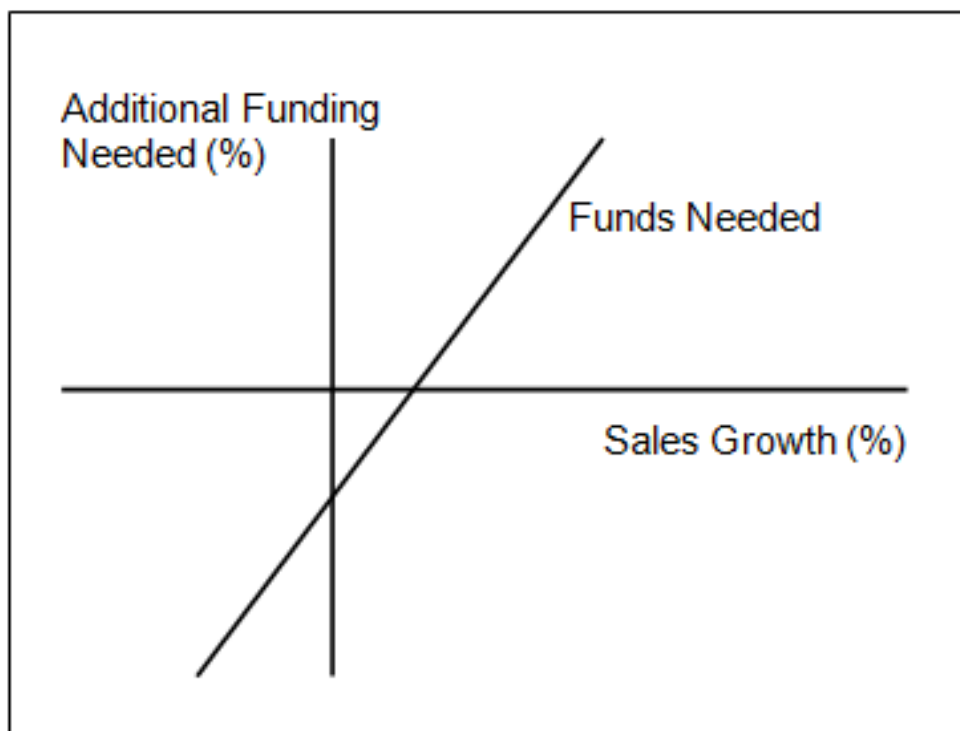
Which of the following statements is false regarding the internal audit approach when a set of standards other than The IIA's Standards is applicable to a specific engagement?

- 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**

**Question No : 15**

Refer to the exhibit.



If the profit margin of an organization decreases, and all else remains equal, which of the following describes how the "Funds Needed" line in the graph below will shift?

- A. The "Funds Needed" line will remain pointed upward, but will become less steep.
- B. The "Funds Needed" line will remain pointed upward, but will become more steep.
- C. The "Funds Needed" line will point downward with a minimal slope.
- D. The "Funds Needed" line will point downward with an extreme slope.

**Answer: B**

**Question No : 16**

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**

**Question No : 17**

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**

**Question No : 18**

For an engineering department with a total quality management program, important elements of quality management include all of the following except:

- A. Basing performance evaluations on the number of projects completed.



- B. Comparing results with those of other engineering departments.
- C. Creating a quality council within the engineering department.
- D. Conducting post-project surveys on performance.

**Answer: A**

**Question No : 19**

Which of the following statements is true regarding outsourced business processes?

- A. Outsourced business processes should not be considered in the internal audit universe because the controls are owned by the external service provider.
- B. Generally, independence is improved when the internal audit activity reviews outsourced business processes.
- C. The key controls of outsourced business processes typically are more difficult to audit because they are designed and managed externally.
- D. The system of internal controls may be better and more efficient when the business process is outsourced compared to internally sourced.

**Answer: D**

**Question No : 20**

Which of the following stages of group development is associated with accepting team responsibilities?

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

**Answer: C**

**Question No : 21**

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**

**Question No : 22**

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

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

**Answer: C**

**Question No : 23**

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**

**Question No : 24**