

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 is true regarding an organization's relationship with external stakeholders?

- A. Specific guidance must be followed when interacting with nongovernmental organizations.
- B. Disclosure laws tend to be consistent from one jurisdiction to another.
- C. There are several internationally recognized standards for dealing with financial donors.
- D. Legal representation should be consulted before releasing internal audit information to other assurance providers.

Answer: D

NEW QUESTION 2

- (Exam Topic 1)

Which of the following conflict resolution methods should be applied when the intention of the parties is to solve the problem by clarifying differences and attaining everyone's objectives?

- A. Accommodating.
- B. Compromising.
- C. Collaborating.
- D. Competing.

Answer: C

NEW QUESTION 3

- (Exam Topic 1)

Which of the following application-based controls is an example of a programmed edit check?

- A. Reasonableness check.
- B. Transaction log.
- C. Input error correction.
- D. Authorization for access.

Answer: A

NEW QUESTION 4

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 5

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 6

- (Exam Topic 1)

A software that translates hypertext markup language (HTML) documents and allows a user to view a remote web page is called:

- A. A transmission control protocol/Internet protocol (TCP/IP).
- B. An operating system.
- C. A web browser.
- D. A web server.

Answer: C

NEW QUESTION 7

- (Exam Topic 1)

An internal auditor discovered that several unauthorized modifications were made to the production version of an organization's accounting application. Which of the following best describes this deficiency?

- A. Production controls weakness.
- B. Application controls weakness.

- C. Authorization controls weakness.
- D. Change controls weakness.

Answer: D

NEW QUESTION 8

- (Exam Topic 1)

Listening effectiveness is best increased by:

- A. Resisting both internal and external distractions.
- B. Waiting to review key concepts until the speaker has finished talking.
- C. Tuning out messages that do not seem to fit the meeting purpose.
- D. Factoring in biases in order to evaluate the information being given.

Answer: A

NEW QUESTION 9

- (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 10

- (Exam Topic 1)

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

NEW QUESTION 10

- (Exam Topic 1)

Which of the following is an element of effective negotiating?

- A. Ensuring that the other party has a personal stake in the agreement.
- B. Focusing on interests rather than on obtaining a winning position.
- C. Considering a few select choices during the settlement phase.
- D. Basing the agreement on negotiating power and positioning leverage.

Answer: B

NEW QUESTION 15

- (Exam Topic 1)

Which of the following is a key characteristic of a zero-based budget?

- A. A zero-based budget provides estimates of costs that would be incurred under different levels of activity.
- B. A zero-based budget maintains focus on the budgeting process.
- C. A zero-based budget is prepared each year and requires each item of expenditure to be justified.
- D. A zero-based budget uses input from lower-level and middle-level managers to formulate budget plans.

Answer: C

NEW QUESTION 19

- (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 24

- (Exam Topic 1)

According to IIA guidance, which of the following corporate social responsibility (CSR) activities is appropriate for the internal audit activity to perform?

- A. Determine the optimal amount of resources for the organization to invest in CSR.
- B. Align CSR program objectives with the organization's strategic plan.
- C. Integrate CSR activities into the organization's decision-making process.
- D. Determine whether the organization has an appropriate policy governing its CSR activities.

Answer: D

NEW QUESTION 25

- (Exam Topic 1)

Which of the following would best prevent unauthorized external changes to an organization's data?

- A. Antivirus software, firewall, data encryption.
- B. Firewall, data encryption, backup procedures.
- C. Antivirus software, firewall, backup procedures.
- D. Antivirus software, data encryption, change logs.

Answer: A

NEW QUESTION 26

- (Exam Topic 1)

A retail organization is considering acquiring a composite textile company. The retailer's due diligence team determined the value of the textile company to be \$50 million. The financial experts forecasted net present value of future cash flows to be \$60 million. Experts at the textile company determined their company's market value to be \$55 million if purchased by another entity. However, the textile company could earn more than \$70 million from the retail organization due to synergies. Therefore, the textile company is motivated to make the negotiation successful. Which of the following approaches is most likely to result in a successful negotiation?

- A. Develop a bargaining zone that lies between \$50 million and \$70 million and create sets of outcomes between \$50 million and \$70 million.
- B. Adopt an added-value negotiating strategy, develop a bargaining zone between \$50 million and \$70 million, and create sets of outcomes between \$50 million and \$70 million.
- C. Involve a mediator as a neutral party who can work with the textile company's management to determine a bargaining zone.
- D. Develop a bargaining zone that lies between \$55 million and \$60 million and create sets of outcomes between \$55 million and \$60 million.

Answer: D

NEW QUESTION 31

- (Exam Topic 1)

The economic order quantity can be calculated using the following formula:

$$Q = \sqrt{\frac{2Dp}{s}}$$

Q = Order size in units
 D = Annual demand in units
 p = Cost per purchase order
 s = Carrying cost per year for one unit of inventory

Which of the following describes how the optimal order size will change if the annual demand increases by 36 percent?

- A. Decrease by about 17 percent.
- B. Decrease by about 7 percent.
- C. Increase by about 7 percent.
- D. Increase by about 17 percent.

Answer: D

NEW QUESTION 34

- (Exam Topic 1)

An organization is considering mirroring the customer data for one regional center at another center. A disadvantage of such an arrangement would be:

- A. Lack of awareness of the state of processing.
- B. Increased cost and complexity of network traffic.
- C. Interference of the mirrored data with the original source data.
- D. Confusion about where customer data are stored.

Answer: B

NEW QUESTION 36

- (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 37

- (Exam Topic 1)

If legal or regulatory standards prohibit conformance with certain parts of The IIA's Standards, the auditor should do which of the following?

- A. Conform with all other parts of The IIA's Standards and provide appropriate disclosures.
- B. Conform with all other parts of The IIA's Standards; there is no need to provide appropriate disclosures.
- C. Continue the engagement without conforming with the other parts of The IIA's Standards.
- D. Withdraw from the engagement.

Answer: A

NEW QUESTION 39

- (Exam Topic 1)

Unsecured loans are loans:

- A. That do not have to be repaid for over one year.
- B. That appear to be too risky for most lenders to consider.
- C. Granted on the basis of a company's credit standing.
- D. Backed by mortgaged assets.

Answer: C

NEW QUESTION 43

- (Exam Topic 1)

Which of the following corporate social responsibility strategies is likely to be most effective in minimizing confrontations with influential activists and lobbyists?

- A. Continually evaluate the needs and opinions of all stakeholder groups.
- B. Ensure strict compliance with applicable laws and regulations to avoid incidents.
- C. Maintain a comprehensive publicity campaign that highlights the organization's efforts.
- D. Increase goodwill through philanthropic activities among stakeholder communities.

Answer: A

NEW QUESTION 48

- (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 50

- (Exam Topic 1)

In which type of business environment are price cutting strategies and franchising strategies most appropriate?

- A. Embryonic, focused.
- B. Fragmented, decline.
- C. Mature, fragmented.
- D. Competitive, embryonic.

Answer: C

NEW QUESTION 51

- (Exam Topic 1)

Providing knowledge, motivating organizational members, controlling and coordinating individual efforts, and expressing feelings and emotions are all functions of:

- A. Motivation.
- B. Performance.
- C. Organizational structure.
- D. Communication.

Answer: D

NEW QUESTION 54

- (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 58

- (Exam Topic 1)

Which of the following statements regarding program change management is not correct?

- A. The goal of the change management process is to sustain and improve organizational operations.
- B. The degree of risk associated with a proposed change determines if the change request requires authorization.
- C. In order to protect the production environment, changes must be managed in a repeatable, defined, and predictable manner.
- D. All changes should be tested in a non-production environment before migrating to the production environment.

Answer: B

NEW QUESTION 62

- (Exam Topic 1)

Which of the following statements regarding database management systems is not correct?

- A. Database management systems handle data manipulation inside the tables, rather than it being done by the operating system itself in files.
- B. The database management system acts as a layer between the application software and the operating system.
- C. Applications pass on the instructions for data manipulation which are then executed by the database management system.
- D. The data within the database management system can only be manipulated directly by the database management system administrator.

Answer: D

NEW QUESTION 67

- (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 72

- (Exam Topic 1)

Which of the following are appropriate reasons for internal auditors to document processes as part of an audit engagement?

- * 1. To determine areas of primary concern.
- * 2. To establish a standard format for process mapping.
- * 3. To define areas of responsibility within the organization.
- * 4. To assess the performance of employees.

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

Answer: B

NEW QUESTION 77

- (Exam Topic 1)

Which of the following describes the result if an organization records merchandise as a purchase, but fails to include it in the closing inventory count?

- A. The cost of goods sold for the period will be understated.
- B. The cost of goods sold for the period will be overstated.
- C. The net income for the period will be understated.
- D. There will be no effect on the cost of goods sold or the net income for the period.

Answer: B

NEW QUESTION 79

- (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 80

- (Exam Topic 1)

Which of the following are included in ISO 31000 risk principles and guidelines?

- A. Standards, framework, and process.
- B. Standards, assessments, and process.
- C. Principles, framework, and process.
- D. Principles, practices, and process.

Answer: C

NEW QUESTION 83

- (Exam Topic 1)

Which of the following techniques would be least effective in resolving the conflict created by an internal audit client's perception of the audit report as a personal attack on his management performance?

- A. The auditor should focus on the audit client as a person and understand him, rather than just concentrating on the problem.
- B. The auditor should make recommendations based on objective criteria, rather than based on a subjective assessment.
- C. The auditor should explore alternative solutions to address the audit problem, so the audit client has options.
- D. The auditor should take a flexible position on the recommendations and focus on resolving the issue by addressing the interests of the people concerned.

Answer: A

NEW QUESTION 87

- (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 90

- (Exam Topic 1)

Which of the following is a strategy that organizations can use to stimulate innovation?

- * 1. Source from the most advanced suppliers.
- * 2. Establish employee programs that reward initiative.
- * 3. Identify best practice competitors as motivators.
- * 4. Ensure that performance targets are always achieved.

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

Answer: C

NEW QUESTION 93

- (Exam Topic 1)

Which of the following is a characteristic of an emerging industry?

- A. Established strategy of players.
- B. Low number of new firms.
- C. High unit costs.
- D. Technical expertise.

Answer: C

NEW QUESTION 98

- (Exam Topic 1)

Which of the following is the primary benefit of including end users in the system development process?

- A. Improved integrity of programs and processing.
- B. Enhanced ongoing maintenance of the system.
- C. Greater accuracy of the testing phase.
- D. Reduced need for unexpected software changes.

Answer: C

NEW QUESTION 100

- (Exam Topic 1)

Which of the following roles would be least appropriate for the internal audit activity to undertake with regard to an organization's corporate social responsibility (CSR) program?

- A. Consult on project design and implementation of the CSR program.
- B. Serve as an advisor on internal controls related to CSR.
- C. Identify and prioritize the CSR issues that are important to the organization.
- D. Evaluate the effectiveness of the organization's CSR efforts.

Answer: C

NEW QUESTION 105

- (Exam Topic 1)

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

NEW QUESTION 109

- (Exam Topic 1)

Which of the following is a role of the board of directors in the governance process?

- A. Conduct periodic assessments of the organization's governance systems.
- B. Obtain assurance concerning the effectiveness of the organization's governance systems.
- C. Implement an effective system of internal controls to support the organization's governance systems.
- D. Review and approve operational goals and objectives.

Answer: B

NEW QUESTION 110

- (Exam Topic 1)

An internationally recognized brand name is an entrance barrier to new competitors because new competitors would:

- A. Have to initiate a price war in order to enter the industry.
- B. Face increased production costs.
- C. Face increased marketing costs.
- D. Face higher learning costs, which would increase fixed costs.

Answer: C

NEW QUESTION 114

- (Exam Topic 1)

Which of the following is false with regard to Internet connection firewalls?

- A. Firewalls can protect against computer viruses.
- B. Firewalls monitor attacks from the Internet.
- C. Firewalls provide network administrators tools to retaliate against hackers.
- D. Firewalls may be software-based or hardware-based.

Answer: A

NEW QUESTION 117

- (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 118

- (Exam Topic 1)

An organization is projecting sales of 100,000 units, at a unit price of \$12. Unit variable costs are \$7. If fixed costs are \$350,000, what is the projected total contribution margin?

- A. \$350,000
- B. \$500,000
- C. \$850,000
- D. \$1,200,000

Answer: B

NEW QUESTION 120

- (Exam Topic 1)

Which of the following statements is in accordance with COBIT?

- * 1. Pervasive controls are general while detailed controls are specific.
- * 2. Application controls are a subset of pervasive controls.
- * 3. Implementation of software is a type of pervasive control.
- * 4. Disaster recovery planning is a type of detailed control.

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

Answer: A

NEW QUESTION 123

- (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 126

- (Exam Topic 1)

The decision to implement enhanced failure detection and back-up systems to improve data integrity is an example of which risk response?

- A. Risk acceptance.
- B. Risk sharing.
- C. Risk avoidance.
- D. Risk reduction.

Answer: D

NEW QUESTION 131

- (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 136

- (Exam Topic 1)

Which of the following describes the free trade zone in an e-commerce environment?

- A. Zone that separates an organization's servers from outside forces.
- B. Area in which messages are scrutinized to determine if they are authorized.
- C. Area where communication and transactions occur between trusted parties.
- D. Zone where data is encrypted, users are authenticated, and user traffic is filtered.

Answer: C

NEW QUESTION 140

- (Exam Topic 1)

The most important reason to use risk assessment in audit planning is to:

- A. Identify redundant controls.
- B. Improve budgeting accuracy.
- C. Enhance assurance provided to management.
- D. Assist in developing audit programs.

Answer: C

NEW QUESTION 142

- (Exam Topic 1)

All of the following are true with regard to the first-in, first-out inventory valuation method except:

- A. It values inventory close to current replacement cost.
- B. It generates the highest profit when prices are rising.
- C. It approximates the physical flow of goods.
- D. It minimizes current-period income taxes.

Answer: D

NEW QUESTION 147

- (Exam Topic 1)

Which of the following statements is correct regarding corporate compensation systems and related bonuses?

- * 1. A bonus system should be considered part of the control environment of an organization and should be considered in formulating a report on internal control.
- * 2. Compensation systems are not part of an organization's control system and should not be reported as such.
- * 3. An audit of an organization's compensation system should be performed independently of an audit of the control system over other functions that impact corporate bonuses.

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

Answer: A

NEW QUESTION 150

- (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 155

- (Exam Topic 1)

Which of the following borrowing options is an unsecured loan?

- A. Second-mortgage financing from a bank.
- B. An issue of commercial paper.
- C. Pledged accounts receivable.
- D. Asset-based financing.

Answer: B

NEW QUESTION 160

- (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 162

- (Exam Topic 1)

The audit committee of a global corporation has mandated a change in the organization's business ethics policy. Which of the following approaches describes the best way to accomplish the policy's diffusion worldwide?

- A. Deploy the policy in the corporate headquarters' language, so everyone gets an unfiltered version simultaneously.
- B. Introduce the policy region by region, using any lessons learned to change the subsequent version of the policy for the next area.
- C. Consult with legal and operational management in each affected country to ensure the final version can be implemented globally, following audit committee approval.
- D. Send the board-approved version of the policy to each country's senior leadership, and empower them to tailor the policy to the local language and culture.

Answer: C

NEW QUESTION 167

- (Exam Topic 1)

When applied to international economics, the theory of comparative advantage proposes that total worldwide output will be greatest when:

- A. Each nation's total imports approximately equal its total exports.
- B. Each good is produced by the nation that has the lowest opportunity cost for that good.
- C. Goods that contribute to a nation's balance-of-payments deficit are no longer imported.
- D. International trade is unrestricted and tariffs are not imposed.

Answer: B

NEW QUESTION 168

- (Exam Topic 1)

Which of the following purchasing scenarios would gain the greatest benefit from implementing electronic data interchange?

- A. A time-sensitive just-in-time purchase environment.
- B. A large volume of custom purchases.
- C. A variable volume sensitive to material cost.
- D. A currently inefficient purchasing process.

Answer: A

NEW QUESTION 171

- (Exam Topic 1)

Which of the following statements is true regarding the roles and responsibilities associated with a corporate social responsibility (CSR) program?

- A. The board has overall responsibility for the internal control processes associated with the CSR program.
- B. Management has overall responsibility for the effectiveness of governance, risk management, and internal control processes associated with the CSR program.
- C. The internal audit activity is responsible for ensuring that CSR principles are integrated into the organization's policies and procedures.
- D. Every employee has a responsibility for ensuring the success of the organization's CSR objectives.

Answer: D

NEW QUESTION 175

- (Exam Topic 1)

Organizational activities that complement each other and create a competitive advantage are called a:

- A. Merger.
- B. Strategic fit.
- C. Joint venture.
- D. Strategic goal.

Answer: B

NEW QUESTION 177

- (Exam Topic 1)

Which of the following COSO internal control framework components encompasses establishing structures, reporting lines, authorities, and responsibilities?

- A. Control environment.
- B. Control activities.
- C. Information and communication.
- D. Monitoring.

Answer: A

NEW QUESTION 179

- (Exam Topic 1)

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

NEW QUESTION 184

- (Exam Topic 1)

Which of the following statements are true regarding the use of heat maps as risk assessment tools?

- * 1. They focus primarily on known risks, limiting the ability to identify new risks.
- * 2. They rely heavily on objective assessments and related risk tolerances.
- * 3. They are too complex to provide an easily understandable view of key risks.
- * 4. They are helpful but limited in value in a rapidly changing environment.

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

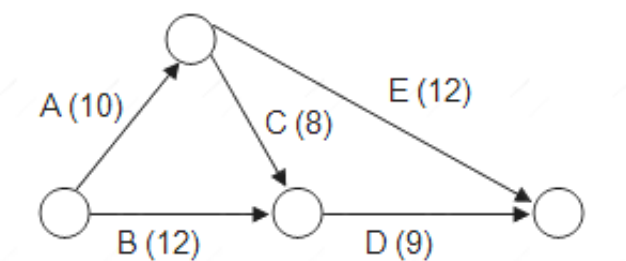
Answer: B

NEW QUESTION 185

- (Exam Topic 1)

Refer to the exhibit.

Project Network (Activity Times in Days)



The figure below shows the network diagram for the activities of a large project. What is the shortest number of days in which the project can be completed?

- A. 21 days.
- B. 22 days.
- C. 27 days.
- D. 51 days.

Answer: C

NEW QUESTION 187

- (Exam Topic 1)

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

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

Answer: A

NEW QUESTION 190

- (Exam Topic 1)

The process of scenario planning begins with which of the following steps?

- A. Determining the trends that will influence key factors in the organization's environment.
- B. Selecting the issue or decision that will impact how the organization conducts future business.
- C. Selecting leading indicators to alert the organization of future developments.
- D. Identifying how customers, suppliers, competitors, employees, and other stakeholders will react.

Answer: B

NEW QUESTION 191

- (Exam Topic 1)

When writing a business memorandum, the writer should choose a writing style that achieves all of the following except:

- A. Draws positive attention to the writing style.
- B. Treats all receivers with respect.
- C. Suits the method of presentation and delivery.

D. Develops ideas without overstatement.

Answer: A

NEW QUESTION 194

- (Exam Topic 1)

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

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

Answer: D

NEW QUESTION 196

- (Exam Topic 1)

Which of the following is the best reason for considering the acquisition of a nondomestic organization?

- A. Relatively fast market entry.
- B. Improved cash flow of the acquiring organization.
- C. Increased diversity of corporate culture.
- D. Opportunity to influence local government policy.

Answer: A

NEW QUESTION 198

- (Exam Topic 1)

A manager has difficulty motivating staff to improve productivity, despite establishing a lucrative individual reward system. Which of the following is most likely the cause of the difficulty?

- A. High degree of masculinity.
- B. Low uncertainty avoidance.
- C. High collectivism.
- D. Low long-term orientation.

Answer: C

NEW QUESTION 203

- (Exam Topic 1)

Which of the following is a major advantage of decentralized organizations, compared to centralized organizations?

- A. Decentralized organizations are more focused on organizational goals.
- B. Decentralized organizations streamline organizational structure.
- C. Decentralized organizations tend to be less expensive to operate.
- D. Decentralized organizations tend to be more responsive to market changes.

Answer: D

NEW QUESTION 207

- (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 208

- (Exam Topic 1)

Which of the following is a disadvantage of selecting a commercial software package rather than developing an application internally?

- A. Lack of flexibility.
- B. Incompatibility with client/server technology.
- C. Employee resistance to change.
- D. Inadequate technical support.

Answer: A

NEW QUESTION 210

- (Exam Topic 1)

Which of the following local area network physical layouts is subject to the greatest risk of failure if one device fails?

- A. Star network.
- B. Bus network.
- C. Token ring network.
- D. Mesh network.

Answer: C

NEW QUESTION 213

- (Exam Topic 1)

A holding company set up a centralized group technology department, using a local area network with a mainframe computer to process accounting information for all companies within the group. An internal auditor would expect to find all of the following controls within the technology department except:

- A. Adequate segregation of duties between data processing controls and file security controls.
- B. Documented procedures for remote job entry and for local data file retention.
- C. Emergency and disaster recovery procedures and maintenance agreements in place to ensure continuity of operations.
- D. Established procedures to prevent and detect unauthorized changes to data files.

Answer: B

NEW QUESTION 218

- (Exam Topic 1)

Which of the following performance measures would be appropriate for evaluating an investment center, which has responsibility for its revenues, costs, and investment base, but would not be appropriate for evaluating cost, revenue, or profit centers?

- A. A flexible budget.
- B. Variance analysis.
- C. A contribution margin income statement by segment.
- D. Residual income.

Answer: D

NEW QUESTION 222

- (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 226

- (Exam Topic 1)

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

NEW QUESTION 227

- (Exam Topic 1)

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

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

Answer: B

NEW QUESTION 231

- (Exam Topic 1)

According to the Standards, the internal audit activity must evaluate risk exposures relating to which of the following when examining an organization's risk management process?

- * 1. Organizational governance.
- * 2. Organizational operations.
- * 3. Organizational information systems.

* 4. Organizational structure.

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

Answer: C

NEW QUESTION 232

- (Exam Topic 1)

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

NEW QUESTION 237

- (Exam Topic 1)

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

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

Answer: C

NEW QUESTION 239

- (Exam Topic 2)

Which of the following statements is true with regard to information protection?

- A. All personal information, by definition is considered to be sensitive, requiring specialized controls.
- B. Information is not considered personal if it can only be linked to or used to identify an individual indirectly.
- C. Individuals who provide personal information to organizations share in the risk of inappropriate disclosure.
- D. Good protection controls remove any restrictions on the quantity of personal information that can be collected

Answer: A

NEW QUESTION 242

- (Exam Topic 2)

The head of the research and development department at a manufacturing organization believes that his team lacks expertise in some areas, and he decides to hire more experienced researchers to assist in the development of a new product. Which of the following variances are likely to occur as the result of this decision?

- * 1. Favorable labor efficiency variance.
- * 2. Adverse labor rate variance.
- * 3. Adverse labor efficiency variance.
- * 4. Favorable labor rate variance.

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

Answer: A

NEW QUESTION 246

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 248

- (Exam Topic 2)

Which of the following is based on the concept that there is not one best leadership style and that successful leadership depends on a match between the leader, the situation, and the subordinate?

- A. Attribute theory.
- B. Path goal model

- C. Life cycle model
- D. Contingency theory

Answer: D

NEW QUESTION 253

- (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 258

- (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 261

- (Exam Topic 2)

Which of the following statements is true regarding the capital budgeting procedure known as discounted payback period?

- A. It calculates the overall value of a project
- B. It ignores the time value of money
- C. It calculates the time a project takes to break even.
- D. It begins at time zero for the project.

Answer: C

NEW QUESTION 262

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 263

- (Exam Topic 2)

Which of the following is a key responsibility of a database administrator?

- A. Troubleshoot end user problems
- B. Provide production support.
- C. Provide physical security of databases
- D. Maintain database integrity

Answer: D

NEW QUESTION 265

- (Exam Topic 2)

An organization requires an average of 58 days to convert raw materials into finished products to sell. An average of 42 additional days is required to collect receivables. If the organization takes an average of 10 days to pay for the raw materials, how long is its total cash conversion cycle?

- A. 26 days.
- B. 90 days.
- C. 100 days.
- D. 110 days.

Answer: B

NEW QUESTION 270

- (Exam Topic 2)

Which of the following re a result of implementing an e-commerce system, which relies heavily on electronic data interchange and electronic funds transfer, for purchasing and billing?

- A. Higher cash flow and treasury balances
- B. Higher inventory balances
- C. Higher accounts receivable
- D. Higher accounts payable

Answer: C

NEW QUESTION 271

- (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 276

- (Exam Topic 2)

New data privacy laws require an organization to use collected customer information for me sole purpose of meeting the organization's business requirements. Which of the following best addresses the risk of the organization not complying with this objective?

- A. Provide training on social engineering attacks
- B. Encrypt the customer information retained by the organization
- C. Establish policies that discipline those who misuse customer information
- D. Allocate access profiles for each end user of the information

Answer: B

NEW QUESTION 277

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 281

- (Exam Topic 2)

The critical path for any project is the path that exhibits which of the following characteristics?

- A. Has the longest duration in time.
- B. Costs the most money.
- C. Requires the largest amount of labor
- D. Is deemed most important to the project.

Answer: A

NEW QUESTION 284

- (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 287

- (Exam Topic 2)

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

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

Answer: D

NEW QUESTION 292

- (Exam Topic 2)

An internal auditor is reviewing the organization's performance appraisal process. Which of the following methods would be most effective to identify stereotyping?

- A. Use a behaviorally anchored rating scale to Break down jobs into their components.
- B. Analyze and compare the ratings for different classes or groupings of employees.
- C. Compare the ratings of selective employees with their previous appraisals.
- D. Analyze the number and percentages of employee appraisals that fall into each rating category

Answer: C

NEW QUESTION 293

- (Exam Topic 2)

Which of the following is a security feature that involves the use of hardware and software to filter or prevent specific information from moving between the outside network and the outside network?

- A. Authorization
- B. Architecture model
- C. Firewall
- D. Virtual private network

Answer: C

NEW QUESTION 298

- (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 299

- (Exam Topic 2)

Which of the following statements is true regarding the reporting of tangible and intangible assets?

- A. For plant assets cost includes the purchase price and the cost of design and construction
- B. For intangible assets cost includes the purchase price and development costs
- C. Due to their indefinite nature intangible assets are not subject to amortization
- D. The organization must expense any cost incurred in developing a plant asset

Answer: C

NEW QUESTION 304

- (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 305

- (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 306

- (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 309

- (Exam Topic 2)

Which of the following statements is true regarding cybersecurity risk?

- A. Cybersecurity risks are identical across all organizations regardless of industry
- B. Installation of antivirus and malware software prevents cybersecurity risks
- C. Deployment of proper cybersecurity measures assures business success
- D. Information value extends the emergence of cybersecurity risks

Answer: C

NEW QUESTION 311

- (Exam Topic 2)

The balanced scorecard approach differs from traditional performance measurement approaches because it adds which of the following measures?

- * 1. Financial measures
- * 2. Internal business process measures.
- * 3. Client satisfaction measures
- * 4. Innovation and learning measures

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

Answer: D

NEW QUESTION 312

- (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 317

- (Exam Topic 2)

Operational management in the IT department has introduced performance evaluation policies that are linked to employees achieving continuing education hours. This activity is designed to prevent which of the following conditions?

- A. Knowledge/skills gap
- B. Monitoring gap
- C. Accountability/reward failure.
- D. Communication failure.

Answer: A

NEW QUESTION 319

- (Exam Topic 2)

Which of the following factors is most responsible for the increasing risk that unauthorized parties may obtain or tamper with personal data?

- A. The lack of legal and industry frameworks on privacy.
- B. The absence of generally accepted privacy principles.
- C. The rapid growth and evolution of technology.
- D. The legislated need to retain sensitive personal information.

Answer: C

NEW QUESTION 321

- (Exam Topic 2)

Which of the following would be a risk in the development of end-user computing (EUC) applications, compared to traditional information systems?

- A. Management might place the same degree of reliance in reports produced by EUC applications as it does in reports produced under traditional systems development procedures .
- B. The organization may incur higher application development and maintenance costs for EUC systems.
- C. Since development time is typically longer for EUC applications, management may not be able to respond quickly to competitive pressures
- D. Management may not be able to make quick and accurate decisions due to a diminished capacity to respond to managerial requests for computerized information

Answer: A

NEW QUESTION 324

- (Exam Topic 2)

Which of the following IT operational areas is responsible for the integrity of data flow within an organization?

- A. Network
- B. Database
- C. Operating system
- D. Server

Answer: A

NEW QUESTION 327

- (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 330

- (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 333

- (Exam Topic 2)

According to Maslow's hierarchy of needs theory, which of the Mowing 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 338

- (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 339

- (Exam Topic 2)

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

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

Answer: B

NEW QUESTION 341

- (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 346

- (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 347

- (Exam Topic 2)

Which of the following is a project planning methodology that involves a complex series of required simulations to provide information about schedule risk?

- A. Monte Carlo Analysis
- B. Project Management Information System (PMIS)
- C. Earned Value Management (EVM).
- D. Integrated Project Plan
- E. A

Answer: E

NEW QUESTION 349

- (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 350

- (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 353

- (Exam Topic 2)

Which of the following represents an inventory costing technique that can be manipulated by management to boost net income by selling units purchased at a low cost?

- A. First-in first-out method (FIFO)
- B. Last-in first-out method (LIFO)
- C. Specific identification method
- D. Average-cost method

Answer: A

NEW QUESTION 356

- (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 359

- (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 361

- (Exam Topic 2)

While reviewing the contracts for a large city, the internal auditor learns that the organization contracted to perform trash collection is paid based on the number of bins emptied each week As a result, the city has minimal control over payments Which of the following actions should the auditor recommend to give the city greater control over payments?

- A. Change the contract so payment is based on the distances traveled by the contractor during collection.
- B. Renegotiate a lump-sum contract when the contract is up for renewal
- C. Assign a city employee to verify the number of bins emptied each day
- D. Require that the contractor provide supervisory review of the number of bins emptied each day

Answer: B

NEW QUESTION 362

- (Exam Topic 2)

Which of the following application controls is the most dependent on the password owner?

- A. Password selection
- B. Password aging
- C. Password lockout
- D. Password rotation

Answer: A

NEW QUESTION 367

- (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 368

- (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 372

- (Exam Topic 2)

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

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

Answer: A

NEW QUESTION 376

- (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 380

- (Exam Topic 2)

Which of the following statements is most accurate with respect to various forms, elements, and characteristics of business contracts?

- A. A contract is a tool used by both suppliers and customers, the model and complexity of which generally remains constant
- B. Collaboration during contract negotiation encourages stakeholders to develop consensus but typically increases cycle times and the likelihood that the contract will fail
- C. Differing legal requirements affect the attitudes of contracting parties as well as the length content and language of contracts
- D. A contract is a tool used by both suppliers and customers though it offers commercial assurance of the relationship, purely from a customer perspective

Answer: C

NEW QUESTION 385

- (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 386

- (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 387

- (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 389

- (Exam Topic 2)

Which of the following is a characteristic of using a hierarchical control structure?

- A. Less use of policies and procedures
- B. Less organizational commitment by employees
- C. Less emphasis on extrinsic rewards
- D. Less employees turnover

Answer: B

NEW QUESTION 394

- (Exam Topic 2)

An organization invests excess short-term cash in trading securities. Which 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 398

- (Exam Topic 2)

When attempting to devise creative solutions to problems, team members initially should do which of the following?

- A. Suspend assumptions and negative feedback
- B. Weight suggestions based on the speaker's level of authority.
- C. Discuss the details of all options presented
- D. Provide documentation to support their positions

Answer: C

NEW QUESTION 403

- (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 406

- (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 411

- (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 415

- (Exam Topic 2)

Which of the following budgets serves as a basis for the budgeted income statement?

- A. All financial budgets
- B. All operating budgets
- C. Only the cash budget and budgeted balance sheet
- D. Only the sales and production budgets

Answer: B

NEW QUESTION 418

- (Exam Topic 2)

Which of the following data security policies is most likely to be the result of a data privacy law?

- A. Access to personally identifiable information is limited to those who need it to perform their job.
- B. Confidential data must be backed up and recoverable within a 24-hour period.
- C. Updates to systems containing sensitive data must be approved before being moved to production.
- D. A record of employees with access to insider information must be maintained and those employees may not trade company stock during blackout periods

Answer: A

NEW QUESTION 420

- (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 421

- (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 426

- (Exam Topic 2)

An organization recently documented its procedures for recovering systems and data after a disaster How are these documented procedures most likely to be used during a disaster simulation exercise"

- A. To help property configure mass communication notification tools
- B. To help identify training needs across the functional areas required to recover systems and data.
- C. To help ensure that the team members who are required to recover systems and data understand their roles.
- D. To help validate the contact information of key personnel required to recover systems and data

Answer: C

NEW QUESTION 427

- (Exam Topic 2)

Which of the following stages of contracting focuses on aligning the markets with objectives of the organization?

- A. Initiation stage
- B. Bidding stage
- C. Development stage
- D. Negotiation stage

Answer: D

NEW QUESTION 429

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