

Practice Exam Questions



The Institute of
Internal Auditors



CIA Exam Part Three Business Knowledge for Internal Auditing



EXAMKILLER

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IIA

Exam IIA-CIA-Part3

Business Knowledge for Internal Auditing

Version: 11.0

[Total Questions: 340]

Question No : 1

An organization decided to reorganize into a flatter structure. **Which** of the following changes would be expected with this new structure?

- A. Lower costs.
- B. Slower decision making at the senior executive level.
- C. Limited creative freedom **in** lower-level managers.
- D. Senior-level executives more focused on short-term, routine decision making

Answer: D

Question No : 2

During her annual performance review, a sales manager admits that she experiences significant stress due to her job but stays with the organization because of the high bonuses she earns. Which of the following best describes her primary motivation to remain in the job?

- A. Intrinsic reward.
- B. Job enrichment
- C. Extrinsic reward.
- D. The hierarchy of needs.

Answer: C

Question No : 3

With increased cybersecurity threats, which of the following should management consider to ensure that there is strong security governance in place?

- A. Inventory of information assets
- B. Limited sharing of data files with external parties.
- C. Vulnerability assessment
- D. Clearly defined policies

Answer: C

Question No : 4

Which of the following risks is best addressed by encryption?

- A. Information integrity risk
- B. Privacy risk
- C. Access risk
- D. Software risk

Answer: B

Question No : 5

Which of the following best describes a man-in-the-middle cyber-attack?

- A. The perpetrator is able to delete data on the network without physical access to the device.
- B. The perpetrator is able to exploit network activities for unapproved purposes.
- C. The perpetrator is able to take over control of data communication in transit and replace traffic.
- D. The perpetrator is able to disable default security controls and introduce additional vulnerabilities

Answer: C

Question No : 6

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

Question No : 7

Which of the following is the best example of IT governance controls?

- A. Controls that focus on segregation of duties, financial, and change management,
- B. Personnel policies that define and enforce conditions for staff in sensitive IT areas.

- C. Standards that support IT policies by more specifically defining required actions
- D. Controls that focus on data structures and the minimum level of documentation required

Answer: C

Question No : 8

Which of the following networks is suitable for an organization that has operations in multiple cities and countries?

- A. Wide area network.
- B. Local area network
- C. Metropolitan area network.
- D. Storage area network.

Answer: A

Question No : 9

Which of the following facilitates data extraction from an application?

- A. Application program code.
- B. Database system.
- C. Operating system.
- D. Networks.

Answer: B

Question No : 10

While conducting an audit of the accounts payable department, an internal auditor found that 3% of payments made during the period under review did not agree with the submitted invoices. Which of the following key performance indicators (KPIs) for the department would best assist the auditor in determining the significance of the test results?

- A. A KPI that defines the process owner's tolerance for performance deviations.
- B. A KPI that defines the importance of performance levels and disbursement statistics being measured.
- C. A KPI that defines timeliness with regard to reporting disbursement data errors to

authorized personnel.

D. A KPI that defines operating ratio objectives of the disbursement process.

Answer: A

Question No : 11

Which of the following IT professionals is responsible for providing maintenance to switches and routers to keep IT systems running as intended?

- A. Data center operations manager
- B. Response and support team.
- C. Database administrator,
- D. Network administrator

Answer: D

Question No : 12

Which of the following capital budgeting techniques considers the time value of money?

- A. Annual rate of return.
- B. Incremental analysis.
- C. Discounted cash flow.
- D. Cash payback

Answer: C

Question No : 13

Which of the following best describes a potential benefit of using data analyses?

- A. It easily aligns with existing internal audit competencies to reduce expenses
- B. It provides a more holistic view of the audited area.
- C. Its outcomes can be easily interpreted into audit conclusions.
- D. Its application increases internal auditors' adherence to the Standards

Answer: C

Question No : 14

If an organization has a high amount of working capital compared to the industry average, which of the following is most likely true?

- A. Settlement of short-term obligations may become difficult.
- B. Cash may be tied up in items not generating financial value.
- C. Collection policies of the organization are ineffective.
- D. The organization is efficient in using assets to generate revenue.

Answer: B

Question No : 15

A small software development firm designs and produces custom applications for businesses. The application development team consists of employees from multiple departments who all report to a single project manager. Which of the following organizational structures does this situation represent?

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

Answer: C

Question No : 16

Which of the following attributes of data are cybersecurity controls primarily designed to protect?

- A. Veracity, velocity, and variety.
- B. Integrity, availability, and confidentiality.
- C. Accessibility, accuracy, and effectiveness.
- D. Authorization, logical access, and physical access.

Answer: C

Question No : 17

The management of working capital is most crucial for which of the following aspects of business?

- A. Liquidity
- B. Profitability
- C. Solvency
- D. Efficiency

Answer: A

Question No : 18

A organization finalized a contract in which a vendor is expected to design, procure, and construct a power substation for \$3,000,000. In this scenario, the organization agreed to which of the following types of contracts?

- A. A cost-reimbursable contract.
- B. A lump-sum contract.
- C. A time and material contract.
- D. A bilateral contract.

Answer: B

Question No : 19

Which of the following would be the strongest control to prevent unauthorized wireless network access?

- A. Allowing access to the organization's network only through a virtual private network.
- B. Logging devices that access the network, including the date, time, and identity of the user.
- C. Tracking all mobile device physical locations and banning access from non-designated areas.
- D. Permitting only authorized IT personnel to have administrative control of mobile devices.

Answer: D

Question No : 20

Which of the following best explains the matching principle?

- A. Revenues should be recognized when earned.
- B. Revenue recognition is matched with cash.
- C. Expense recognition is tied to revenue recognition.
- D. Expenses are recognized at each accounting period.

Answer: C

Question No : 21

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 A
 - D. 2 and 3

Answer: A

Question No : 22

Which of the following intangible assets is considered to have an indefinite life?

- A. Underground oil deposits
- B. Copyright
- C. Trademark
- D. Land

Answer: C

Question No : 23

Which of the following should internal auditors be attentive of when reviewing personal data consent and opt-in/opt-out management process?

- A.** Whether customers are asked to renew their consent for their data processing at least quarterly.
- B.** Whether private data is processed in accordance with the purpose for which the consent was obtained?
- C.** Whether the organization has established explicit and entitywide policies on data transfer to third parties.
- D.** Whether customers have an opportunity to opt-out the right to be forgotten from organizational records and systems.

Answer: C

Question No : 24

An analytical model determined that on Friday and Saturday nights the luxury brands stores should be open for extended hours and with a doubled number of employees

present; while on Mondays and Tuesdays costs can be minimized by reducing the number of employees to a minimum and opening only for evening hours Which of the

following best categorizes the analytical model applied?

- A.** Descriptive.
- B.** Diagnostic.
- C.** Prescriptive.
- D.** Prolific.

Answer: C

Question No : 25

Which of the following statements is true regarding a bring-your-own-device (BYOD) environment?

- A.** There is a greater need for organizations to rely on users to comply with policies and procedures.
- B.** With fewer devices owned by the organization, there is reduced need to maintain documented policies and procedures.

- C. Incident response times are less critical in the BYOD environment, compared to a traditional environment
- D. There is greater sharing of operational risk in a BYOD environment

Answer: A

Question No : 26

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

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

Answer: C

Question No : 27

Management is designing its disaster recovery plan. In the event that there is significant damage to the organization's IT systems this plan should enable the organization to resume operations at a recovery site after some configuration and data restoration. Which of the following is the ideal solution for management in this scenario?

- A. A warm recovery plan.
- B. A cold recovery plan.
- C. A hot recovery plan.
- D. A manual work processes plan

Answer: B

Question No : 28

Which of the following is the best example of a compliance risk that is likely to arise when adopting a bring-your-own-device (BYOD) policy?

- A. The risk that users try to bypass controls and do not install required software updates.
- B. The risk that smart devices can be lost or stolen due to their mobile nature..

- C. The risk that an organization intrusively monitors personal Information stored on smart devices.
- D. The risk that proprietary information is not deleted from the device when an employee leaves.

Answer: D

Question No : 29

Which of the following is a result of Implementing on e-commerce system, which relies heavily on electronic data interchange and electronic funds transfer, for purchasing and biting?

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

Answer: C

Question No : 30

A multinational organization allows its employees to access work email via personal smart devices. However, users are required to consent to the installation of mobile device management (MDM) software that will remotely wipe data in case of theft or other incidents. Which of the following should the organization ensure in exchange for the employees' consent?

- A. That those employees who do not consent to MDM software cannot have an email account.
- B. That personal data on the device cannot be accessed and deleted by system administrators.
- C. That monitoring of employees' online activities is conducted in a covert way to avoid upsetting them.
- D. That employee consent includes appropriate waivers regarding potential breaches to their privacy.

Answer: B

Question No : 31

An internal auditor reviews a data population and calculates the mean, median, and range. What is the most likely purpose of performing this analytic technique?

- A. To inform the classification of the data population.
- B. To determine the completeness and accuracy of the data.
- C. To identify whether the population contains outliers.
- D. To determine whether duplicates in the data inflate the range.

Answer: C

Question No : 32

Which of the following statements is true regarding activity-based costing (ABC)?

- A. An ABC costing system is similar to conventional costing systems in how it treats the allocation of manufacturing overhead.
- B. An ABC costing system uses a single unit-level basis to allocate overhead costs to products.
- C. An ABC costing system may be used with either a job order or a process cost accounting system.
- D. The primary disadvantage of an ABC costing system is less accurate product costing.

Answer: C

Question No : 33

When reviewing application controls using the four-level model, which of the following processes are associated with level 4 of the business process method?

- A. Activity
- B. Subprocess
- C. Major process
- D. Mega process

Answer: A

Question No : 34

Which of the following is an example of internal auditors applying data mining techniques

for exploratory purposes?

- A. Internal auditors perform reconciliation procedures to support an external audit of financial reporting.
- B. Internal auditors perform a systems-focused analysis to review relevant controls.
- C. Internal auditors perform a risk assessment to identify potential audit subjects as input for the annual internal audit plan
- D. Internal auditors test IT general controls with regard to operating effectiveness versus design

Answer: C

Question No : 35

An intruder posing as the organization's CEO sent an email and tricked payroll staff into providing employees' private tax information. What type of attack was perpetrated?

- A. Boundary attack.
- B. Spear phishing attack.
- C. Brute force attack.
- D. Spoofing attack.

Answer: B

Question No : 36

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

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

Answer: A

Question No : 37

According to IIA guidance on IT, which of the following plans would pair the identification of

critical business processes with recovery time objectives?

- A. The business continuity management charter.
- B. The business continuity risk assessment plan.
- C. The business Impact analysis plan
- D. The business case for business continuity planning

Answer: C

Question No : 38

Which of the following is a disadvantage in a centralized organizational structure?

- A. Communication conflicts
- B. Slower decision making.
- C. Loss of economies of scale
- D. Vulnerabilities in sharing knowledge

Answer: C

Question No : 39

A manufacturer is deciding whether to sell or process materials further. Which of the following costs would be relevant to this decision?

- A. Incremental processing costs, incremental revenue, and variable manufacturing expenses.
- B. Joint costs, incremental processing costs, and variable manufacturing expenses.
- C. Incremental revenue, joint costs, and incremental processing costs.
- D. Variable manufacturing expenses, incremental revenue, and joint costs

Answer: A

Question No : 40

Which of the following situations best illustrates a "false positive" in the performance of a spam filter?

- A. The spam filter removed incoming communication that included certain keywords and domains.