



# IIA-CIA-PART2<sup>Q&As</sup>

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

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### QUESTION 1

Which of the following would be an appropriate improvement to controls over large quantities of consumable material that are charged to expense when placed in bins which are accessible to production workers?

- A. Relocate bins to the inventory warehouse.
- B. Require management to compare the cost of consumable items used to the budget.
- C. Lock the bins during normal working hours.
- D. None of the above actions are needed for items of minor cost and size.

Correct Answer: B

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### QUESTION 2

In which of the following cases is it appropriate for an audit report to not contain management's response either within the report or as an attachment?

- A. Management's response to an audit report is generally not a requirement.
- B. Internal controls were found to be properly designed and operating effectively although operations are deemed inefficient.
- C. There was insufficient time to obtain management's response during the draft reporting process.
- D. An internal audit report contains no observations.

Correct Answer: D

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### QUESTION 3

When the internal audit activity does not have sufficient time to complete its usual root cause analysis, which of the following is most appropriate?

- A. The chief audit executive may recommend that management conduct further work to identify the root cause and address the issue.
- B. Internal auditors should finish the engagement without conducting the root cause analysis and draft the audit report, though the report would not be considered complete until the analysis is concluded.
- C. Internal auditors must adjust their future engagement schedule to ensure that the root cause analysis is always performed before the engagement is concluded.
- D. Internal auditors should instead perform a Pareto rule analysis.

Correct Answer: B

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#### QUESTION 4

The chief audit executive (CAE) of a large retail operation believes that senior management has accepted a level of risk that exceeds the organization's current risk tolerance with respect to a major expansion. The CAE plans to meet with senior management to discuss these concerns. According to IIA guidance, which of the following would be an appropriate course of action in preparation for this meeting?

1.

Understand management's basis for the decision.

2.

Advise the board of the concern and upcoming meeting.

3.

Ascertain which members of management have accepted the risk.

4.

Determine if management has the authority to accept the risk.

A. 1 and 2 only

B. 1 and 4 only

C. 2 and 3 only

D. 3 and 4 only

Correct Answer: B

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#### QUESTION 5

According to IIA guidance, which of the following are potential benefits of using an assurance map?

A. Indication of any gaps in assurance coverage, and improved relevance of assurance recommendations.

B. Identification of duplicate or overlapping assurance activities, and improved relevance of assurance recommendations.

C. Indication of gaps in assurance coverage, and enhanced effectiveness of assurance providers.

D. Enhanced effectiveness of assurance providers, and improved relevance of assurance recommendations.

Correct Answer: C

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#### QUESTION 6

According to IIA guidance, which of the following are acceptable strategies for an internal audit activity (IAA) to establish or build relationships?



- A. Assist executives with their administrative and governance responsibilities, and encourage all IAA members to develop relationships with the organization's executives.
- B. Assist executives with their administrative and governance responsibilities, and ensure that all communications with the board are formal audit reports or preset agendas.
- C. During an engagement, restrict communications with affected executives to matters pertaining to the engagement; and encourage all IAA members to develop relationships with the organization's executives.
- D. During an engagement, restrict communications with affected executives to matters pertaining to the engagement; and ensure that all communications with the board are formal audit reports or preset agendas.

Correct Answer: A

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### QUESTION 7

Which of the following is a disadvantage of using flowcharts during a risk assessment?

- A. People cannot quickly understand the processes via flowcharts.
- B. Flowcharts are not applicable for evaluating the design of controls.
- C. Some serious risks that are not part of the linear process can be missed.
- D. Flowcharts do not enable auditors to identify missing controls.

Correct Answer: C

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### QUESTION 8

The most effective method of reporting engagement results to management and stimulating action is to:

- A. Deliver a lecture on the engagement results.
- B. Limit verbal commentary and present a series of slides that graphically depict the engagement results.
- C. Use slides to support a discussion of major points.
- D. Distribute copies of the report, ask the participants to read the report, and ask for questions.

Correct Answer: C

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### QUESTION 9

Which of the following are typical steps in the design of an organization's performance measurement system?

- A. Understand organizational strategy; perform a situational assessment; establish measurement categories; and take actions based upon measurement results.
- B. Categorize performance measures; establish a data collection plan; analyze data; and predict future performance.



- C. Establish a measurement plan; create an organizational strategy linked to those measurements; trend measurement data; and measure data variability.
- D. Perform a situational assessment; generate macro measurements; review measurement data; and change strategy based upon measurement results.

Correct Answer: A

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#### QUESTION 10

When conducting research, which of the following is most important?

- A. Using computer databases or the Internet to find all relevant sources.
- B. Providing documentation of the reference sources.
- C. Presenting only those facts that support the conclusion.
- D. Presenting all contrary views to balance the opinion.

Correct Answer: B

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#### QUESTION 11

Direct staff as a percentage of total staff is an example of which of the following types of efficiency measures?

- A. Productivity ratio.
- B. Productivity index.
- C. Operating ratio.
- D. Resource utilization rate.

Correct Answer: C

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#### QUESTION 12

According to IIA guidance, organizations have the most influence on which element of fraud?

- A. Opportunity.
- B. Rationalization.
- C. Pressure.
- D. Incentives.

Correct Answer: A

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### QUESTION 13

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

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

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

Correct Answer: A

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### QUESTION 14

Which of the following conclusions would be appropriate for a beginning auditor performing an audit of a payroll department?

- A. Employee taxes have been deducted at the correct rates, and the taxes have been forwarded to the appropriate government agency.
- B. Although there is insufficient segregation of duties, the impact is mitigated by compensating controls.
- C. The payroll computer system should be replaced.
- D. The payroll department staff has the appropriate level of skills.

Correct Answer: A

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### QUESTION 15

An internal auditor is conducting a financial audit. Which of the following audit procedures is most appropriate when existing internal controls are weak?

- A. Analytical procedures.
- B. Detail testing.
- C. Test of design.
- D. Test of control.

Correct Answer: B

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