



IIA-CIA-PART3-3P^{Q&As}

CIA Exam Part Three: Business Knowledge for Internal Auditing

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QUESTION 1

Which audit approach should be employed to test the accuracy of information housed in a database on an un-networked computer?

- A. Submit batches of test transactions through the current system and verify with expected results.
- B. Use a test program to simulate the normal data entering process.
- C. Select a sample of records from the database and ensure it matches supporting documentation.
- D. Evaluate compliance with the organization's change management process.

Correct Answer: C

QUESTION 2

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.

Correct Answer: C

QUESTION 3

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

Correct Answer: B

QUESTION 4

Organizations that adopt just-in-time purchasing systems often experience which of the following?



- A. A slight increase in carrying costs.
- B. A greater need for inspection of goods as the goods arrive.
- C. A greater need for linkage with a vendor's computerized order entry system.
- D. An increase in the number of suitable suppliers

Correct Answer: C

QUESTION 5

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

Correct Answer: A

QUESTION 6

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.

Correct Answer: B

QUESTION 7

An internal auditor is trying to assess control risk and the effectiveness of an organization's internal controls. Which of the following audit procedures would not provide assurance to the auditor on this matter?

- A. Interviewing the organization's employees.
- B. Observing the organization's operations.
- C. Reading the board's minutes.
- D. Inspecting manuals and documents.



Correct Answer: C

QUESTION 8

In which of the following plans is an employee most likely to find guidance on action and performance standards?

- A. Operational plans.
- B. Tactical plans.
- C. Strategic plans.
- D. Mission plans.

Correct Answer: A

QUESTION 9

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

- 1) Consult on CSR program design and implementation.
 - 2) Serve as an advisor on CSR governance and risk management.
 - 3) Review third parties for contractual compliance with CSR terms.
 - 4) Identify and mitigate risks to help meet the CSR program objectives.
- A. 1, 2, and 3
 - B. 1, 2, and 4
 - C. 1, 3, and 4
 - D. 2, 3, and 4

Correct Answer: A

QUESTION 10

Which of the following application controls verifies the accuracy of transaction results in a system?

- A. Input controls
- B. Output controls
- C. Processing controls
- D. Integrity controls



Correct Answer: A

QUESTION 11

According to the Standards, which of the following is based on the assertion that the quality of an organization's risk management process should improve with time?

- A. Process element.
- B. Key principles.
- C. Maturity model.
- D. Assurance.

Correct Answer: C

QUESTION 12

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.

Correct Answer: A

QUESTION 13

For employees, the primary value of implementing job enrichment is which of the following?

- A. Validation of the achievement of their goals and objectives.
- B. Increased knowledge through the performance of additional tasks.
- C. Support for personal growth and a meaningful work experience.
- D. An increased opportunity to manage better the work done by their subordinates.

Correct Answer: C

QUESTION 14

Which of the following professional organizations sets standards for quality and environmental audits?



- A. The Committee of Sponsoring Organizations of the Treadway Commission.
- B. The Board of Environmental, Health, and Safety Auditor Certifications.
- C. The International Organization of Supreme Audit Institutions.
- D. The International Standards Organization.

Correct Answer: D

QUESTION 15

A capital investment project will have a higher net present value, everything else being equal, if it has:

- A. A higher initial investment level.
- B. A higher discount rate.
- C. Cash inflows that are larger in the later years of the life of the project.
- D. Cash inflows that are larger in the earlier years of the life of the project.

Correct Answer: D

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