IIA

IIA-CIA-Part3-3P

Business Knowledge for Internal Auditing

Question: 92

An organization facing rapid growth decides to employ a third party service provider to manage its customer relationship management function .

Which of the following is true regarding the supporting application software used by that provider compared to an in-house developed system?

1) Updating documentation is always a priority.

2) System availability is usually more reliable.

3) Data security risks are lower.

4) Overall system costs are lower.
A. 1 and 2 only
B. 1 and 3 only
C. 2 and 4 only
D. 3 and 4 only

Answer: C

Question: 93

Which of the following budgets must be prepared first?
A. Cash budget.
B. Production budget.
C. Sales budget.
D. Selling and administrative expenses budget.

Answer: C

Question: 94

Which is the least effective form of risk management?
A. Systems-based preventive control.
B. People-based preventive control.
C. Systems-based detective control.
D. People-based detective control.

Answer: D

Question: 95

Which of the following statements accurately describes one of the characteristics that distinguishes a multinational company from a domestic company?
A. A multinational company has stockholders in other countries.
B. A multinational company exports its products to other countries.
C. A multinational company operates outside of its country of origin.
D. A multinational company uses raw materials and components from more than one country.

Answer: C

Question: 96

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

Question: 97

During which phase of disaster recovery planning should an organization identify the business units, assets, and systems that are critical to continuing an acceptable level of operations?
A. Scope and initiation phase.
B. Business impact analysis.
C. Plan development.
D. Testing.

Answer: B

Question: 98

An organization is considering the outsourcing of its business processes related to payroll and information technology functions .

Which of the following is the most significant area of concern for management regarding this proposed agreement?
A. Ensuring that payments to the vendor are appropriate and timely for the services delivered.
B. Ensuring that the vendor has complete management control of the outsourced process.
C. Ensuring that there are means of monitoring the efficiency of the outsourced process.
D. Ensuring that there are means of monitoring the effectiveness of the outsourced process.

Answer: D

Question: 99

Which of the following is the best approach to overcome entry barriers into a new business?
A. Offer a standard product that is targeted in the recognized market.
B. Invest in commodity or commodity-like product businesses.
C. Enter into a slow-growing market.
D. Use an established distribution relationship.

Answer: D

Question: 100

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

Question: 101

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.

Answer: C

Question: 102

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

Question: 103

In order to provide useful information for an organization's risk management decisions, which of the following factors is least important to assess?
A. The underlying causes of the risk.
B. The impact of the risk on the organization's objectives.
C. The risk levels of current and future events.
D. The potential for eliminating risk factors.

Answer: D

Question: 104

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

Question: 105

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

Question: 106

Which of the following is useful for forecasting the required level of inventory?

1) Statistical modeling.

2) Information about seasonal variations in demand.

3) Knowledge of the behavior of different business cycles.

4) Pricing models linked to seasonal demand.
A. 1 and 2 only
B. 2 and 3 only
C. 1, 2, and 3 only
D. 1, 2, 3, and 4

Answer: C

Question: 107

An internal auditor performed a review of IT outsourcing and found that the service provider was failing to meet the terms of the service level agreement .

Which of the following approaches is most appropriate to address this concern?
A. The organization should review the skill requirements and ensure that the service provider is maintaining sufficient expertise and retaining skilled resources.
B. The organization should proactively monitor the performance of the service provider, escalate concerns, and use penalty clauses in the contract where necessary.
C. The organization should ensure that there is a clear management communication strategy and path for evaluating and reporting on all outsourced services concerns.
D. The organization should work with the service provider to review the current agreement and expectations relating to objectives, processes, and overall performance.

Answer: B

Question: 108

Which of the following statements is false regarding the internal audit approach when a set of standards other than The IIA's Standards is applicable to a specific engagement?
A. The internal auditor may cite the use of other standards during audit communications.
B. If the other standards are government-issued, the internal auditor should apply them in conjunction with The IIA's Standards.
C. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the more restrictive standards.
D. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the less restrictive standards.

Answer: D

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