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**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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