

# DUMPS ARENA

ACCA CIA Challenge Exam

IIA IIA-ACCA

Version Demo

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## Topic Break Down

<b>Topic</b>	<b>No. of Questions</b>
<b>Topic 1, Essentials of Internal Auditing</b>	<b>182</b>
<b>Topic 2, Practice of Internal Auditing</b>	<b>108</b>
<b>Topic 3, Business Knowledge for Internal Auditing</b>	<b>314</b>
<b>Total</b>	<b>604</b>

**QUESTION NO: 1**

Which of the following statements is correct regarding risk analysis?

- A. The extent to which management judgments are required in an area could serve as a risk factor in assisting the auditor in making a comparative risk analysis.
- B. The highest risk assessment should always be assigned to the area with the largest potential loss.
- C. The highest risk assessment should always be assigned to the area with the highest probability of occurrence.
- D. Risk analysis must be reduced to quantitative terms in order to provide meaningful comparisons across an organization.

**ANSWER: A**

**QUESTION NO: 2**

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.

**ANSWER: D**

**QUESTION NO: 3**

An internal auditor wants to determine whether employees are complying with the information security policy, which prohibits leaving sensitive information on employee desks overnight. The auditor checked a sample of 90 desks and found eight that contained sensitive information. How should this observation be reported, if the organization tolerates

4 percent noncompliance?

- A. The matter does not need to be reported, because the noncompliant findings fall within the acceptable tolerance limit.
- B. The deviations are within the acceptable tolerance limit, so the matter only needs to be reported to the information security manager.
- C. The incidents of noncompliance fall outside the acceptable tolerance limit and require immediate corrective action, as opposed to reporting.

D. The incidents of noncompliance exceed the tolerance level and should be included in the final engagement report.

**ANSWER: D**

#### **QUESTION NO: 4**

According to IIA guidance, which of the following factors should the auditor in charge consider when determining the resource requirements for an audit engagement?

- A. The number, experience, and availability of audit staff as well as the nature, complexity, and time constraints of the engagement.
- B. The appropriateness and sufficiency of resources and the ability to coordinate with external auditors.
- C. The number, proficiency, experience, and availability of audit staff as well as the ability to coordinate with external auditors.
- D. The appropriateness and sufficiency of resources as well as the nature, complexity, and time constraints of the engagement.

**ANSWER: D**

#### **QUESTION NO: 5**

According to Porter, which of the following is associated with fragmented industries?

- A. Weak entrance barriers.
- B. Significant scale economies.
- C. Steep experience curve.
- D. Strong negotiation power with suppliers.

**ANSWER: A**

#### **QUESTION NO: 6**

The final internal audit report should be distributed to which of the following individuals?

- A. Audit client management only

- B. Executive management only
- C. Audit client management, executive management, and others approved by the chief audit executive.
- D. Audit client management, executive management, and any those who request a copy.

**ANSWER: C**

#### **QUESTION NO: 7**

According to IIA guidance, which of the following external groups is most likely to represent a liability risk, based on activities associated with the organization's corporate social responsibility program?

- A. Consumers.
- B. Activists.
- C. Suppliers.
- D. Investors.

**ANSWER: B**

#### **QUESTION NO: 8**

Which of the following is a key responsibility of a database administrator?

- A. Troubleshoot end user problems
- B. Provide production support.
- C. Provide physical security of databases
- D. Maintain database integrity

**ANSWER: D**

#### **QUESTION NO: 9**

Which of the following is the most important concept to be included in a consulting engagement agreement?

- A. Define the duties and responsibilities needed from management to perform the engagement.

- B. Disclose the fact that auditors who perform the work may not be subject matter experts in the topic of the review.
- C. Clarify that matters discovered during the engagement may also be reported to senior management and the audit committee.
- D. Disclose the fact that follow-up reviews may be conducted to ensure that recommendations are implemented adequately.

**ANSWER: C**

**QUESTION NO: 10**

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 NO: 11**

An internal auditor is conducting an assessment of the purchasing department. She has worked the full amount of hours budgeted for the engagement; however, the audit objectives are not yet complete. According to IIA guidance, which of the following are appropriate options available to the chief audit executive?

1. Allow the auditor to decide whether to extend the audit engagement.
  2. Determine whether the work already completed is sufficient to conclude the engagement.
  3. Provide the auditor feedback on areas of improvement for future engagements.
  4. Provide the auditor with instructions and directions to complete the audit.
- A. 1, 2, and 3
  - B. 1, 2, and 4
  - C. 1, 3, and 4
  - D. 2, 3, and 4

**ANSWER: D**

**QUESTION NO: 12**

According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?

- A. To enable Triple Bottom Line reporting capability.
- B. To facilitate the conduct of risk assessment.
- C. To achieve and maintain sustainable development.
- D. To fulfill regulatory and compliance requirements.

**ANSWER: C****QUESTION NO: 13**

Which of the following is not a potential area of concern when an internal auditor places reliance on spreadsheets developed by users?

- A. Increasing complexity over time.
- B. Interface with corporate systems.
- C. Ability to meet user needs.
- D. Hidden data columns or worksheets.

**ANSWER: C****QUESTION NO: 14**

According to IIA guidance, which of the following is true about the supervising internal auditor's review notes?

- They are discussed with management prior to finalizing the audit.
  - They may be discarded after working papers are amended as appropriate.
  - They are created by the auditor to support her fieldwork in case of questions.
  - They are not required to support observations issued in the audit report.
- A. 1 and 3 only
  - B. 1 and 4 only
  - C. 2 and 3 only

D. 2 and 4 only

**ANSWER: D**

**QUESTION NO: 15**

Which of the following is classified as a product cost using the variable costing method?

1. Direct labor costs
2. Insurance on a factory.
3. Manufacturing supplies.
4. Packaging and shipping costs

- A.** 1 and 2  
**B.** 1 and 3  
**C.** 2 and 4  
**D.** 3 and 4

**ANSWER: B**

**QUESTION NO: 16**

A medical insurance provider uses an electronic claims-submission process and suspects that a number of physicians have submitted claims for treatments that were not performed. Which of the following control procedures would be most effective to detect this type of fraud?

- A.** Require the physician to submit a signed statement attesting that the treatments had been performed.
- B.** Send confirmations to the physicians, requesting them to verify the exact nature of the claims submitted to the insurance provider.
- C.** Develop an integrated test facility and submit false claims to verify that the system is detecting such claims on a consistent basis.
- D.** Use computer software to identify abnormal claims based on the insured's age and medical history.

**ANSWER: D**

**QUESTION NO: 17**

Upon joining the internal audit activity, each new auditor receives a copy of the audit handbook. Which of the following handbook policies has the greatest risk of compromising audit objectivity?

- A.** Internal auditors should obtain 80 hours of continuing professional education every two years, 20 of which should be audit-related, and the remainder may be operations-related.
- B.** Internal auditors should rotate to other areas of the organization for nonaudit assignments to gain an understanding of the organization's operations.
- C.** Internal auditors should have direct and unrestricted access to personnel and information throughout the organization and the governing board.
- D.** Internal auditors should undergo annual performance appraisals conducted by the chief audit executive, who reports administratively to the chief financial officer.

**ANSWER: B****QUESTION NO: 18**

Which of the following is not a primary reason for outsourcing a portion of the internal audit activity?

- A.** To gain access to a wider variety of skills, competencies and best practices.
- B.** To complement existing expertise with a required skill and competency for a particular audit engagement.
- C.** To focus on and strengthen core audit competencies.
- D.** To provide the organization with appropriate contingency planning for the internal audit function.

**ANSWER: D****QUESTION NO: 19**

According to IIA guidance, which of the following are macro-level audit activities performed for an assurance engagement of the purchasing department?

1. Obtain and review all purchasing-related audit reports issued within the past year.
  2. Meet with the quality assurance group to discuss its previous reports of any purchasing-related findings.
  3. Review a memo written by the purchasing manager that outlines ongoing problems with the purchasing software.
  4. Request a copy of the report from a purchasing audit conducted last year by an external service provider.
- A.** 1 and 2.
  - B.** 1 and 3.

C. 2 and 4.

D. 3 and 4.

**ANSWER: A**

**QUESTION NO: 20**

Which of the following combinations of conditions is most likely a red flag for fraud?

A. The practice of surprise audits and the implementation of an employee support program.

B. Hiring an employee with a prior fraud conviction and yearly management review.

C. Occasional accounting department overrides and discontinuation of the anonymous fraud hotline due to infrequent use.

D. A veteran employee in upper management experiencing financial difficulties and recently implemented enhanced controls.

**ANSWER: C**