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Certified Financial Services Auditor

IIA IIA-CFSA

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Topic Break Down

Topic	No. of Questions
Topic 1, Volume A	99
Topic 2, Volume B	100
Topic 3, Volume C	100
Topic 4, Volume D	100
Topic 5, Volume E	112
Total	511

QUESTION NO: 1

Agents that represent one company exclusively are called:

- A. Independent Agents
- B. Captive Agents
- C. Exclusive Agents
- D. Detached Agents

ANSWER: B C**QUESTION NO: 2**

If a surgeon loses a hand, she may not be able to perform surgery. If she has an _____ policy, she would be able to recover, even though she can still work as a doctor in a nonsurgical field. If she has a _____ policy, there would be no recovery, even if the surgeon's only possible alternative is to be a tour guide.

- A. General disability, occupational disability
- B. Occupational disability, General disability
- C. None-cancelable policy and general disability
- D. None of these

ANSWER: B**QUESTION NO: 3**

Which one of the following is/are NOT the type of retirement plans that banks may administer?

- A. Pension plans
- B. Self-employed retirements trust
- C. Group retirement accounts
- D. Post-requirement accounts

ANSWER: C D**QUESTION NO: 4**

It is a contract that defines corporation and bondholders responsibilities and is designed to protect the right of the bondholders. A trustee (most often a commercial bank) is generally appointed to ensure that the obligations defined in the agreement are of trust indenture must e filled with SEC. What is it?

- A. Bond certificate
- B. Trust indenture
- C. Secured bonds
- D. Collateral trust

ANSWER: B

QUESTION NO: 5

Unsecured bonds are not backed by assets and provide no claim on assets for bondholders These include:

- A. Debenture
- B. Subordinated debenture
- C. Collateral trust bonds
- D. Trust indenture

ANSWER: A B

QUESTION NO: 6

The responsibility of setting an estate includes:

- A. Taking possession of the property included within the decedent's estate
- B. Valuing the estate's property
- C. Paying any debts of the decedent's
- D. All of these

ANSWER: D

QUESTION NO: 7

Term Life insurance is available in which of the following variant?

- A. Group team life insurance
- B. Decreasing team life insurance

- C. Level team life insurance
- D. All of these

ANSWER: D

QUESTION NO: 8

The U.S government is the largest borrower in the world and has a variety of debt instruments. These government obligations or issues are a safe form of debt security, and there has never been a default. The “full faith and credit of the government” back these issues. Some terms and definitions include:

- A. Negotiable securities
- B. Non-negotiable securities
- C. Series YY bonds
- D. Series NN bonds

ANSWER: A B

QUESTION NO: 9

Following are the examples of illegal sales practice EXCEPT:

- A. Twisting occurs when an agent purposefully misguides and individual into canceling one policy and purchasing a new one
- B. Rebating occurs when an agent agree to give an individual the share of the commission as an incentive to buy a policy
- C. Misrepresentation occurs when agent makes false and misleading statements, but they are allowed to guarantee policy dividends
- D. None of these

ANSWER: C

QUESTION NO: 10

Options are quoted daily in the newspapers. The listing provides the name of the underlying stock and its closing price that day, the strike price of the option, the closing prices (premiums) of the 3 call and 3 put contracts trading closest to expiration. Listings can be divided into categories. Which of the following is/are out of those categories?

- A. Option Class
- B. Option Series
- C. Option Statuses

D. Option Lists

ANSWER: A B**QUESTION NO: 11**

Derivates can be effective low cost tools for managing expose experience losses due to:

- A. Interest rate change
- B. Master agreements
- C. Commodity price change
- D. All of these

ANSWER: D**QUESTION NO: 12**

Due from bank balances are used to:

- A. Ensure liquid reserves
- B. Protect stored data
- C. Restrict physical access to cardholder
- D. Facilitate the transfer of funds and to use as compensation for correspondent banking services

ANSWER: A D**QUESTION NO: 13**

The balance sheet is the fundamental report of a company's financial position. An examination of a balance sheet will assist in determining:

- A. If the company meets its financial obligations
- B. The amount of money invested in outside the company
- C. The company's debt ratio
- D. The type of assets that company has purchased with its debt financing

ANSWER: A C

QUESTION NO: 14

Most corporations have an annual meeting where stockholders have the opportunity to vote on important issues. These issues include:

- A. Election of the board of directors (the officers of the corporation)
- B. Changes to the corporate charter
- C. Reconciliation
- D. Takeovers

ANSWER: A B**QUESTION NO: 15**

Securities available for sale should be reported at current market value. When this type of security has an unrealized gain or loss:

- A. It is reported on balance sheet
- B. It is reported on income statement
- C. It is not reported on income statement
- D. It is reported on cash flow statement

ANSWER: C**QUESTION NO: 16**

System tailoring is accomplished by setting optional system parameters and, therefore, has an impact on system performance and security. Control techniques for system's software include:

- A. Setting appropriate system parameters and security options for operating system
- B. Verifying the accuracy of output through manual or automated reconciliation activities
- C. Using the security features of security software effectively
- D. Controlling procurement and maintenance of software licenses

ANSWER: A C D**QUESTION NO: 17**

Information technology general controls set the foundation for effective control over computerized information system assets. General controls apply to the entire computer operation. Which of the following is/are NOT out of these controls?

- A. Administrative controls
- B. Security controls
- C. Security administration
- D. Input controls

ANSWER: D

QUESTION NO: 18

All of the following phrases are used to express the auditor's opinion EXCEPT:

- A. Give a true and fair view
- B. Present fairly, in all material respects
- C. Timely and consistent opinion
- D. Comprehensible and realistic view

ANSWER: C

QUESTION NO: 19

Theory of life insurance is evolved from:

- A. Need-based analysis
- B. Cost based analysis
- C. Cost and return based analysis
- D. Both A& B

ANSWER: A

QUESTION NO: 20

Which of the following activity/ies should be considered by the auditors whenever reviewing situations where broker-dealer finance proprietary or customer activity through collateralized bank loans?

- A. Ensuring that customer, noncustomer, and firm bank loans are separately maintained and that procedures are in place to prevent commingling of collateral

- B.** Maintaining separate accounts in the general ledger for the securities collateralizing each loan
- C.** Obtaining collateral from the counterparty
- D.** Reconciling the repurchase and reverse repurchase subsidiary ledgers to the stock record and general ledger daily. Out-of-balances are recorded as suspense items and researched immediately

ANSWER: A B