

DUMPS ARENA

Business Knowledge for Internal Auditing

IIA IIA-CIA-Part3

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QUESTION NO: 1

In an effort to increase business efficiencies and improve customer service offered to its major trading partners, management of a manufacturing and distribution company established a secure network, which provides a secure channel for electronic data interchange between the company and its partners.

Which of the following network types is illustrated by this scenario?

- A. A value-added network.
- B. A local area network.
- C. A metropolitan area network.
- D. A wide area network.

ANSWER: A**Explanation:**

Reference: <https://www.investopedia.com/terms/v/value-added-network.asp>

KEY TAKEAWAYS

- Value-added networks are often used for electronic data interchanging between companies.
- VANs make the communications process easier with communication between fewer parties.
- VANs are important for managing supply chains.

QUESTION NO: 2

A manager has difficulty motivating staff to improve productivity, despite establishing a lucrative individual reward system. Which of the following is most likely the cause of the difficulty?

- A. High degree of masculinity.
- B. Low uncertainty avoidance.
- C. High collectivism.

D. Low long-term orientation.

ANSWER: C

QUESTION NO: 3

When assessing the adequacy of a risk mitigation strategy, an internal auditor should consider which of the following?

1. Management's tolerance for specific risks.
2. The cost versus benefit of implementing a control.
3. Whether a control can mitigate multiple risks.
4. The ability to test the effectiveness of the control.

A. 1, 2, and 3

B. 1, 2, and 4

C. 1, 3, and 4

D. 2, 3, and 4

ANSWER: C

QUESTION NO: 4

An investor has acquired an organization that has a dominant position in a mature, slow-growth industry and consistently creates positive financial income. Which of the following terms would the investor most likely label this investment in her portfolio?

A. A star.

B. A cash cow.

C. A question mark.

D. A dog.

ANSWER: B

Explanation:

Reference: <https://www.businessnewsdaily.com/5693-bcg-matrix.html>

- **Cash Cows:** A cash cow is a market leader that generates more cash than it consumes. Cash cows are business units or products that have a high market share but low growth prospects. According to NetMBA, cash cows provide the cash required to turn a question mark into a market leader, cover the administrative costs of the company, fund research and development, service the corporate debt, and pay dividends to shareholders. Companies are advised to invest in cash cows to maintain the current level of productivity or to "milk" the gains passively.

QUESTION NO: 5

Which of the following is a key characteristic of a zero-based budget?

- A. A zero-based budget provides estimates of costs that would be incurred under different levels of activity.
- B. A zero-based budget maintains focus on the budgeting process.
- C. A zero-based budget is prepared each year and requires each item of expenditure to be justified.
- D. A zero-based budget uses input from lower-level and middle-level managers to formulate budget plans.

ANSWER: C**QUESTION NO: 6**

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: 7

Which of the following costs would be incurred in an inventory stockout?

- A. Lost sales, lost customers, and backorder.
- B. Lost sales, safety stock, and backorder.
- C. Lost customers, safety stock, and backorder.
- D. Lost sales, lost customers, and safety stock.

ANSWER: A**QUESTION NO: 8**

Which of the following is an element of effective negotiating?

- A. Ensuring that the other party has a personal stake in the agreement.
- B. Focusing on interests rather than on obtaining a winning position.
- C. Considering a few select choices during the settlement phase.
- D. Basing the agreement on negotiating power and positioning leverage.

ANSWER: B**QUESTION NO: 9**

A manager at a publishing company received an email that appeared to be from one of her vendors with an attachment that contained malware embedded in an Excel spreadsheet. When the spreadsheet was opened, the cybercriminal was able to attack the company's network and gain access to an unpublished and highly anticipated book.

Which of the following controls would be most effective to prevent such an attack?

- A. Monitoring network traffic.
- B. Using whitelists and blacklists to manage network traffic.
- C. Restricting access and blocking unauthorized access to the network.
- D. Educating employees throughout the company to recognize phishing attacks.

ANSWER: D

QUESTION NO: 10

Which of the following is a cybersecurity monitoring activity intended to deter disruptive codes from being installed on an organization's systems?

- A. Boundary defense.
- B. Malware defense.
- C. Penetration tests.
- D. Wireless access controls.

ANSWER: B**Explanation:**

Reference: <https://www.techtarget.com/searchsecurity/tip/6-common-types-of-cyber-attacks-and-how-to-prevent-them>

QUESTION NO: 11

Which of the following descriptions of the internal control system are indicators that risks are managed effectively?

1. Existing controls promote compliance with applicable laws and regulations.
 2. The control environment is designed to address all identified risks to the organization.
 3. Key controls for significant risks to the organization remain consistent over time.
 4. Monitoring systems are in place to alert management to unexpected events.
- A. 1 and 3.
 - B. 1 and 4.
 - C. 2 and 3.
 - D. 2 and 4.

ANSWER: B**QUESTION NO: 12**

What must be monitored in order to manage risk of consumer product inventory obsolescence?

1. Inventory balances.
2. Market share forecasts.
3. Sales returns.

4. Sales trends.
- A. 1 only
 - B. 4 only
 - C. 1 and 4 only
 - D. 1, 2, and 3 only

ANSWER: C

QUESTION NO: 13

According to the International Professional Practices Framework, internal auditors who are assessing the adequacy of organizational risk management processes should not:

- A. Recognize that organizations use different techniques for managing risk.
- B. Seek assurance that the key objectives of the risk management processes are being met.
- C. Determine and accept the level of risk for the organization.
- D. Treat the evaluation of risk management processes differently from the risk analysis used to plan audit engagements.

ANSWER: C

QUESTION NO: 14

Management has established a performance measurement focused on the accuracy of disbursements. The disbursement statistics, provided daily to all accounts payable and audit staff, include details of payments stratified by amount and frequency.

Which of the following is likely to be the greatest concern regarding this performance measurement?

- A. Articulation of the data.
- B. Availability of the data.
- C. Measurability of the data.
- D. Relevance of the data.

ANSWER: D

QUESTION NO: 15

Which of the following is an example of an application control?

- A. Automated password change requirements.
- B. System data backup process.
- C. User testing of system changes.
- D. Formatted data fields.

ANSWER: D

Explanation:

Reference: <https://chapters.theiia.org/montreal/ChapterDocuments/GTAG%208%20-%20Auditing%20application%20controls.pdf>

Defining Application Controls

Application controls are those controls that pertain to the scope of individual business processes or application systems, including data edits, separation of business functions, balancing of processing totals, transaction logging, and error reporting. Therefore, the objective of application controls is to ensure that:

- Input data is accurate, complete, authorized, and correct.
- Data is processed as intended in an acceptable time period.
- Data stored is accurate and complete.
- Outputs are accurate and complete.
- A record is maintained to track the process of data from input to storage and to the eventual output.⁴