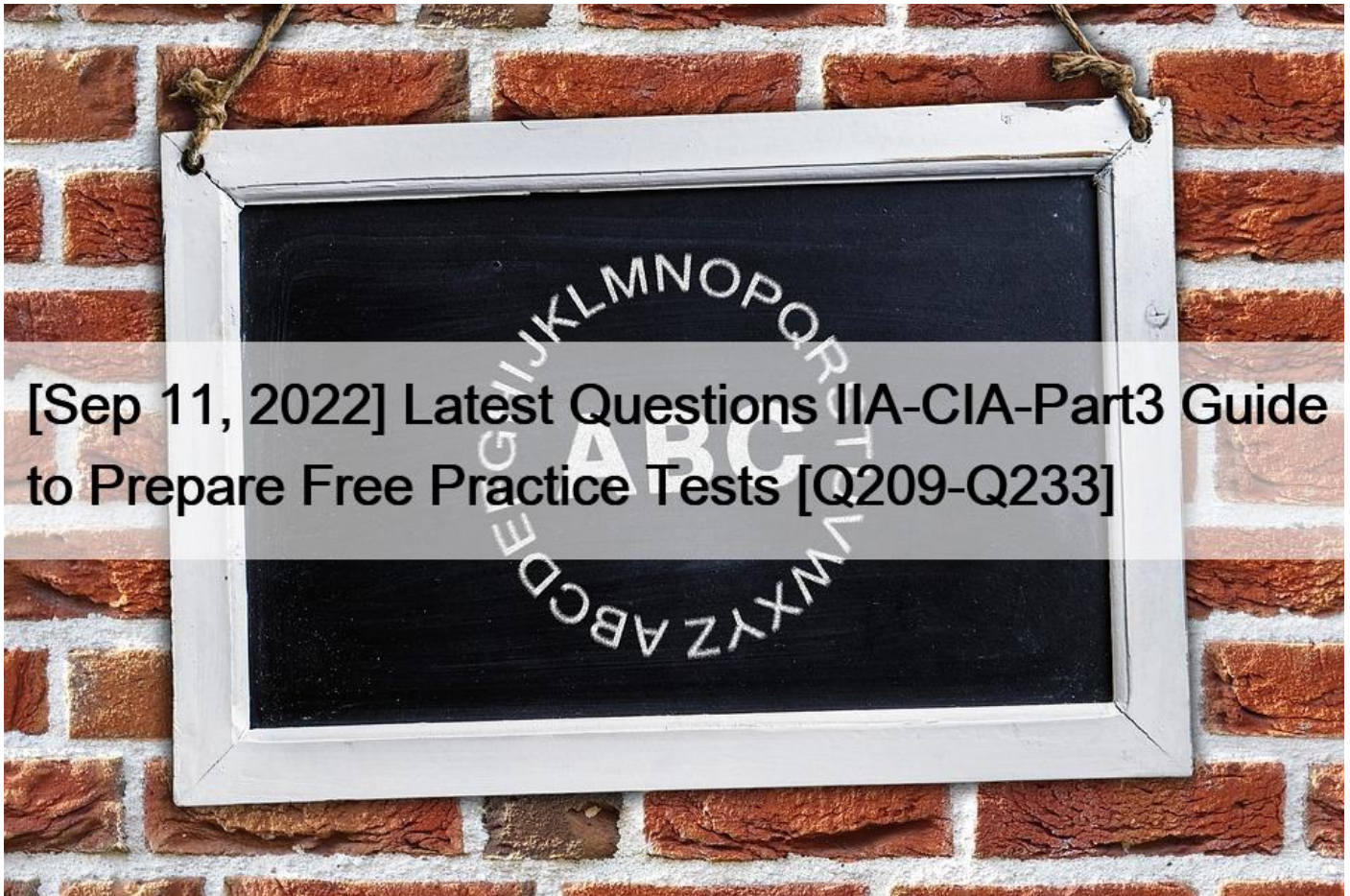


## [Sep 11, 2022 Latest Questions IIA-CIA-Part3 Guide to Prepare Free Practice Tests [Q209-Q233]



**[Sep 11, 2022 Latest Questions IIA-CIA-Part3 Guide to Prepare Free Practice Tests Reliable IIA-CIA-Part3 Dumps Questions Available as Web-Based Practice Test Engine NO.209** According to IIA guidance, which of the following statements is true with regard to workstation computers that access company information stored on the network?

- \* individual workstation computer controls are not as important as companywide server controls.
- \* Particular attention should be paid to housing workstations away from environmental hazards.
- \* Cybersecurity issues can be controlled at an enterprise level making workstation level controls redundant
- \* With security risks near an all-time high workstations should not be connected to the company network

**NO.210** A local area network LAN) is best described as a(n):

- \* Computer system that connects computers of all sizes, workstations, terminals, and

other devices within a limited proximity

- \* System to allow computer users to meet and share ideas and information.

C Electronic library containing millions of items of data that can be reviewed, retrieved, and

analyzed.

D Method to offer specialized software, hardware, and data-handling techniques that

improve effectiveness and reduce costs.

A LAN is a local distributed computer system, often housed within a single building. Computers, communication devices, and other equipment are linked by cable. Special software facilitates efficient data communication among the hardware devices.

**NO.211** A capital investment project will have a higher net present value, everything else being equal, if it has:

- \* A higher initial investment level.
- \* A higher discount rate.
- \* Cash inflows that are larger in the later years of the life of the project.
- \* Cash inflows that are larger in the earlier years of the life of the project.

**NO.212** An antifraud law that prohibits trading on the basis of inside information about a business corporation's stock most likely applies to:

- \* Officers and directors.
- \* All officers, directors, and shareholders.
- \* Officers, directors, and holders of a large amount of the corporation's stock.
- \* Anyone who bases his/her trading activities on the inside information.

Such antifraud provisions typically prohibit any person from engaging in manipulative or deceptive acts in the purchase or sale of any security. It prohibits trading on the basis of inside information and applies to anyone who has not made a full disclosure of the inside information. It may apply not only to officers, directors, and shareholders, but also to tipsters, i.e., those who receive inside information from insiders.

**NO.213** Which of the following statements accurately describes one of the characteristics that distinguishes a multinational company from a domestic company?

- \* A multinational company has stockholders in other countries.
- \* A multinational company exports its products to other countries.
- \* A multinational company operates outside of its country of origin.
- \* A multinational company uses raw materials and components from more than one country.

**NO.214** Providing knowledge, motivating organizational members, controlling and coordinating individual efforts, and expressing feelings and emotions are all functions of:

- \* Motivation.
- \* Performance.
- \* Organizational structure.
- \* Communication.

Explanation/Reference:

**NO.215** How do temporary and permanent differences between taxable income and pre-tax financial income differ?

- \* Temporary differences do not give rise to future taxable or deductible amounts.
- \* Only permanent differences have deferred tax consequences
- \* Only temporary differences have deferred tax consequences
- \* Temporary differences include items that enter into prepay financial income but never into taxable income.

Permanent differences have no deferred tax consequences because they affect only the period in which they occur. Permanent differences include 1) items that enter into pre-tax financial income but never into taxable income and 2) items that enter into taxable income but never into pre-tax financial income. In contrast, temporary differences result in taxable or deductible amounts in some future year(s), when the reported amount of assets are recovered and the reported amount of liabilities are settled. Temporary differences therefore do have deferred tax consequences while permanent differences do not.

**NO.216** Management's enthusiasm for computer security seems to vary with changes in the environment, particularly the occurrence of other computer disasters. Which of the following concepts should be addressed when making a comprehensive recommendation regarding the costs and benefits of computer security?

I. Potential loss if security is not implemented

II. Probability of occurrences

III.

Cost and effectiveness of the implementation and operation of computer security

- \* I only.
- \* I and II only.
- \* III only.
- \* I, II, and III.

Potential loss is the amount of dollar damages associated with a security problem or loss of assets. Potential loss times the probability of occurrence is an estimate expected value) of the exposure associated with lack of security. It represents a potential benefit associated with the implementation of security measures. To perform a cost-benefit analysis, the costs should be considered. Thus, all three items need to be addressed.

**NO.217** 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.

- \* 1 and 2 only
- \* 2 and 3 only
- \* 1, 2, and 3 only
- \* 1, 2, 3, and 4

**NO.218** 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:

- \* Adequate segregation of duties between data processing controls and file security controls.
- \* Documented procedures for remote job entry and for local data file retention.
- \* Emergency and disaster recovery procedures and maintenance agreements in place to ensure continuity of operations.
- \* Established procedures to prevent and detect unauthorized changes to data files.

**NO.219** The average labor cost per unit for the first batch produced by a new process is US \$120. The cumulative average labor cost after the second batch is US \$72 per product. Using a batch size of 100 and assuming the learning curve continues, the total labor cost of four batches will be:

- \* US\$4,320
- \* US\$10,368
- \* US\$2,592
- \* US\$17,280

The learning curve reflects the increased rate at which people perform tasks as they gain experience. The time required to perform a

given task becomes progressively shorter. Ordinarily, the curve is expressed in a percentage of reduced time to complete a task for each doubling of cumulative production. One common assumption in a learning curve model is that the cumulative average time (and labor cost) per unit is reduced by a certain percentage each time production doubles. Given a US \$120 cost per unit for the first 100 units and a US \$72 cost per unit when cumulative production doubled to 200 units, the learning curve percentage must be 60% ( $\text{US } \$72 \div \text{US } \$120$ ). If production is again doubled to 400 units (four batches), the average unit labor cost should be US \$43.20 ( $\text{US } \$72 \times 60\%$ ). Hence, total labor cost for 400 units is estimated to be US \$17,280 (400 units  $\times$  \$43.20).

**NO.220** The entity has an accounts receivable balance of:

- \* US \$12
- \* US \$26
- \* US \$36
- \* US \$66

Total assets equal total liabilities and equity. Hence, if total assets equal US \$100. Total liabilities and equity must equal US \$100, and current liabilities must equal US \$30 ( $\text{US } \$100 - \$40 - \$30$ ). Because the quick ratio equals the quick assets (cash + accounts receivable) divided by current liabilities, the quick assets must equal US \$36 ( $\text{US } \$30 \times 1.2$  quick ratio), and the accounts receivable balance is US \$26 ( $\text{US } \$36 - \$10$  cash). An entity has a current ratio of 1.4, a quick, or acid test, ratio of 1.2, and the following partial summary balance sheet:

Cash	US \$ 10	Current liabilities	
Accounts receivable		Long-term liabilities	US \$40
Inventory		Equity	30
Fixed assets		Total liabilities and equity	
Total assets	100		

**NO.221** Which of the following is a limiting factor for capacity expansion?

- \* Government pressure on organizations to increase or maintain employment.
- \* Production orientation of management.
- \* Lack of credible market leader in the industry.
- \* Company diversification.

**NO.222** When using cost-volume-profit analysis which of the following will increase operating income once the break-even point has been reached?

- \* Fixed costs per unit for each additional unit sold
- \* Variable costs per unit for each additional unit sold
- \* Contribution margin per unit for each additional unit sold
- \* Gross margin per unit for each additional unit sold

**NO.223** What is the overall audit objective when auditing an e-commerce activity?

- \* To ensure that all e-commerce processes have efficient internal controls.
- \* To ensure that all e-commerce processes have effective internal controls.
- \* To ensure that all e-commerce processes are adequate to fulfill their intended objectives.
- \* To ensure that all e-commerce processes meet the functionality requirements of the end users.

According to PA 2100-6, when auditing e-commerce activities, the overall audit objective should be to ensure that all e-commerce processes have effective internal controls.

**NO.224** Which of the following is not a component of physical distribution?

- \* Transportation.
- \* Pricing.
- \* Location of retail outlets.

\* Warehousing.

Physical distribution market logistics) involves planning, implementing, and controlling the movement of materials and final goods to meet customer needs while earning a profit.

Physical distribution systems coordinate suppliers, purchasing agents, marketers, channels, and customers. They include warehousing, transportation, and retail outlets.

**NO.225** Which of the following re a result of implementing an e-commerce system, which relies heavily on electronic data interchange and electronic funds transfer, for purchasing and billing?

- \* Higher cash flow and treasury balances
- \* Higher inventory balances
- \* Higher accounts receivable
- \* Higher accounts payable

**NO.226** The estimated demand for pretzels at the next home football game using a deterministic approach based on the most likely outcome is:

- \* 4,000 pretzels.
- \* 4,400 pretzels.
- \* 5,000 pretzels.
- \* 6,000 pretzels.

A deterministic approach assumes that a value is known with certainty. If that value is deemed to be the most likely outcome, assumed demand will be 5,000 pretzels,

Volume		Probability		Result
2,000	x	.10	=	200
3,000	x	.15	=	450
4,000	x	.20	=	800
5,000	x	.35	=	1,750
6,000	x	.20	=	1,200
Expected value				<u>4,400</u>

The volume with the highest probability 35%). A beverage stand can sell either soft drinks or coffee on any given day. If the stand sells soft drinks and the weather is hot, it will make US \$2,600; if the weather is cold, the profit will be US \$1,000. If the stand sells coffee and the weather is hot, it will make US \$1,900; if the weather is cold, the profit will be US \$2,000. The probability of cold weather on a given day at this time is 60%.

Unit Sales Volume	Probability
2,000 pretzels	.10
3,000 pretzels	.15
4,000 pretzels	.20
5,000 pretzels	.35
6,000 pretzels	.20

**NO.227** An entity started in Year 1 with 200 scent. 1 3ndles on hand at a cost of US \$3.50 each.

These candles sell Lich. The following schedule represents the purchases and sales of candles during Year 1:

Transaction Number	Quantity Purchased	Unit Cost	Quantity Sold
1	---	---	150
2	250	US \$3.30	---
3	---	---	100
4	200	3.10	---
5	---	---	200
6	350	3.00	---
7	---	---	300

If the entity uses periodic FIFO inventory pricing, the gross profit for Year 1 would be:

- \* US \$2,755
- \* US \$2,805
- \* US \$2,854
- \* US \$2,920

The FIFO method assumes that the first goods purchased are the first goods sold and that ending inventory consists of the latest purchases. Moreover, whether the inventory system is periodic or perpetual does not affect FIFO valuation. The cost of goods sold is US \$2.445 {beginning inventory 200 units x \$3.50} + purchases [(250 units x \$3.30) + (200 units x \$3.10) + (350 units x \$3.00)] - ending inventory (250 units x \$3.00)}\_ Thus, the gross profit for Year 1 using FIFO is US \$2.805 [sales 750 units x \$7.00] - cost of goods sold of \$2.445].

**NO.228** Based on test results, an IT auditor concluded that the organization would suffer unacceptable loss of data if there was a disaster at its data center. Which of the following test results would likely lead the auditor to this conclusion?

- \* Requested backup tapes were not returned from the offsite vendor in a timely manner.
- \* Returned backup tapes from the offsite vendor contained empty spaces.
- \* Critical systems have been backed up more frequently than required.
- \* Critical system backup tapes are taken off site less frequently than required

**NO.229** If a just-in-time purchasing system is successful in reducing the total inventory costs of a manufacturing company, which of the following combinations of cost changes would be most likely to occur?

- \* 1
- \* 2
- \* 3
- \* 4

**NO.230** In which of the following organizational structures does total quality management (TQM) work best?

- \* Hierarchical.
- \* Teams of people from the same specialty.
- \* Teams of people from different specialties.
- \* Specialists working individually.

TQM advocates replacement of the traditional hierarchical structure with teams of people from different specialties. This change follows from TQM's emphasis on empowering employees and teamwork. Employees should (1) have proper training, necessary information, and the best tools; (2) be fully engaged in the decision process; and (3) receive fair compensation. If such empowered employees are assembled in teams of individuals with the required skills, TQM theorists believe they will be more effective than people performing their tasks separately in a rigid structure.

**NO.231** An appropriate technique for planning and controlling manufacturing inventories, such as

raw materials, components, and subassemblies whose demand depends on the level of production is:

- \* Materials requirements planning.
- \* Regression analysis.
- \* Capital budgeting.
- \* Linear programming.

Materials requirements planning (MRP) is a system that translates a production schedule into requirements for each component needed to meet the schedule. It is usually implemented in the form of a computer-based information system designed to plan and control raw materials used in production. It assumes that forecast demand is reasonably accurate and that suppliers can deliver based upon this accurate schedule. MRP is a centralized push-through system; output based on forecasted demand is pushed through to the next department or to inventory.

**NO.232** Which of the following steps in the accounting cycle is completed later than the others?

- \* Adjustments.
- \* Journalization
- \* Posting.
- \* Identification and measurement of transactions.

The order of the steps in the Accounting cycle is identification and measurement of transactions and other events required to be recognized, journalization, posting from the journals to the ledgers the development of a trial balance, adjustments to produce an adjusted trial balance, statement presentation closing, taking a post-closing trial balance optional and making reversing entries optional.

**NO.233** The main reason to establish internal controls in an organization is to:

- \* Encourage compliance with policies and procedures.
- \* Safeguard the resources of the organization.
- \* Ensure the accuracy, reliability, and timeliness of information.
- \* Provide reasonable assurance on the achievement of objectives.

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