

[Q68-Q92] 100% Guaranteed Results IIA-CIA-Part3 Unlimited 265 Questions [2022]



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Q68. Which of the following statements is correct regarding corporate compensation systems and related bonuses?

1. A bonus system should be considered part of the control environment of an organization and should be considered in formulating a report on internal control.
 2. Compensation systems are not part of an organization's control system and should not be reported as such.
 3. An audit of an organization's compensation system should be performed independently of an audit of the control system over other functions that impact corporate bonuses.
- * 1 only
 - * 2 only

- * 3 only
- * 2 and 3 only

Q69. Which of the following responsibilities would ordinarily fall under the help desk function of an organization?

- * Maintenance service items such as production support
- * Management of infrastructure services including network management
- * Physical hosting of mainframes and distributed servers
- * End-to-end security architecture design

Q70. On September 22, Year 1, a corporation purchased merchandise from an unaffiliated foreign entity for 10,000 units of the foreign entity's local currency. On that date, the spot rate was US \$.55. The corporation paid the bill in full on March 20, Year 2, when the spot rate was US \$.65. The closing rate was US \$.70 on December 31, Year 1. What amount should the corporation report as a foreign currency transaction loss in its income statement for the year ended December 31, Year 1?

- * US \$0
- * US \$500
- * US \$1,000
- * US \$1,500

A receivable or payable fixed in a foreign currency is adjusted to its current exchange rate at each balance sheet date. The resulting gain or loss should ordinarily be included in determining profit or loss. It is the difference between the spot rate on the date the transaction originates or the rate applied in the prior year) and the closing rate. Thus, the Year 1 transaction loss for Yumi Corp. is US \$1,500 $[10,000 \text{ units} \times \$0.55 - \$0.70]$.

Q71. 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?

- * The internal auditor may cite the use of other standards during audit communications.
- * If the other standards are government-issued, the internal auditor should apply them in conjunction with The IIA's Standards.
- * If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the more restrictive standards.
- * If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the less restrictive standards.

Q72. Program documentation is a control designed primarily to ensure that:

- * Programmers have access to production programs.
- * Programs do not make mathematical errors.
- * Programs are kept up to date and perform as intended.
- * No one has made use of the computer hardware for personal reasons.

Complete, up-to-date documentation of all programs and associated operating procedures is necessary for efficient operation of a computer installation. Maintenance of programs is important to provide for continuity and consistency of data processing services to users. Program documentation (the program run manual) consists of problem statements, systems flowcharts, operating instructions, record layouts, program flowcharts, program listings, test data, and approval and change sheets.

Q73. An entity has US \$100 of current assets, US \$100 of fixed assets, US \$100 of debt, and US \$100 of equity. If it then leases a US \$75 asset in a(n) **List A**, lease agreement, the debt-to-assets ratio of the entity will be **<List B>**

	List A	List B
A.	Operating	64%
B.	Operating	00%
C.	Finance	50%
D.	Finance	64%

- * Option A
- * Option B
- * Option C
- * Option D

If the lease is a finance lease, both the asset and the obligation for future payments are

recorded. The entity would have current assets of US \$100, debt of US \$175 (\$100 + \$75), fixed assets of US \$175 (\$100 + 175), and equity of US \$100. Hence, the debt-to-assets ratio would be 64% US \$175 / 275).

Q74. Which of the following is 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

Q75. Which of the following should an organization consider when developing strategic objectives for its business processes?

1. Contribution to the success of the organization.
 2. Reliability of operational information.
 3. Behaviors and actions expected of employees.
 4. How inputs combine with outputs to generate activities.
- * 1 and 2 only
 - * 1 and 3 only
 - * 2 and 4 only
 - * 3 and 4 only

Q76. Which of the following steps should an internal auditor take during an audit of an organization's business continuity plans?

1. Evaluate the business continuity plans for adequacy and currency.
 2. Prepare a business impact analysis regarding the loss of critical business.
 3. Identify key personnel who will be required to implement the plans.
 4. Identify and prioritize the resources required to support critical business processes.
- * 1 only
 - * 2 and 4 only
 - * 1, 3, and 4 only
 - * 1, 2, 3, and 4

Q77. The estimated demand for pretzels at the next home football game using an expected value approach is:

- * 4,000 pretzels.

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

The calculation using an expected value approach weights each possible sales volume by its probability. Thus, the estimated demand is 4,400 pretzels.

The College Honor Society sells hot pretzels at the home football games. The pretzels are sold for US \$1.00 each, and the cost per pretzel is US \$.30. Any unsold pretzels are discarded because they will be stale before the next home game. 95. The estimated demand for pretzel at the next home football game. The frequency distribution of the demand for pretzels per game is presented as follows.

Q78. Shown below is a forecast of sales for the first 4 months of the year all amounts are in thousands of dollars).

	January	February	March	April
Cash sales	US \$ 15	US \$ 24	US \$18	US \$14
Sales on credit	100	120	90	70

On average, 50% of credit sales are paid for in the month of sale, 30% in the month following the sale, and the remainder is paid 2 months after the month of sale. Assuming there are no bad debts, what is the expected cash inflow in March?

- * US \$138,000
- * US \$122,000
- * US \$119,000
- * US \$108,000

Cash inflows for March would consist of 50% of March credit sales $US \$90 \times 50\% = US \45). Plus 30% of February credit sales $US \$120 \times 30\% = US \36). plus 20% of January credit sales $US \$100 \times 20\% = US \20). plus cash sales for March of US \$18.

Consequently, total collections equal US \$118,000.

Q79. According to IIA guidance on IT, which of the following plans would pair the identification of critical business processes with recovery time objectives?

- * The business continuity management charter.
- * The business continuity risk assessment plan.
- * The business Impact analysis plan
- * The business case for business continuity planning

Q80. The company receives a special order for 10,000 units at US \$7.60. Variable selling cost for each of these 10,000 units will be US \$1.20. This special order will not affect regular sales of 75,000 units. If the company accepts this special order, its profit will:

- * Increase by US \$8,000.
- * Increase by US \$16,000.
- * Decrease by US \$4,000.
- * Decrease by US \$12,000.

If the company accepts the special order, its revenue will increase by US \$76,000 $10,000 \text{ units} \times \7.60). However, its incremental cost will include only the variable costs because fixed manufacturing and selling costs will be unchanged. The increase in cost from accepting the special order is US \$16,000 $[10,000 \text{ units} (\$3.00 + \$1.00 + \$0.80 + \$1.20)]$. Thus, acceptance of the special order will increase profits by US \$60,000 $(\$76,000 - \$16,000)$. A company manufactures and sells a single product. It takes two machine hours to produce unit. Annual sales are expected to be 75,000 units. Annual production capacity is 200,000 machine hours. Expected selling price is US \$10 per unit. Cost data for manufacturing and selling the product are as follows:

Variable costs (per unit)	
Direct materials	US \$3.00
Direct labor	1.00
Variable manufacturing overhead	0.80
Variable selling	2.00
Fixed costs (per year)	
Fixed manufacturing overhead	US \$90,000
Fixed selling	60,000

Q81. An internal auditor is reviewing key phases of a software development project. Which of the following would; the auditor most likely use to measure the project team's performance related to how project tasks are completed?

- * A balanced scorecard.
- * A quality audit
- * Earned value analysis.
- * Trend analysis

Q82. According to IIA guidance, which of the following steps are most important for an internal auditor to perform when evaluating an organization's social and environmental impact on the local community?

Determine whether previous incidents have been reported, managed, and resolved.

Determine whether a business contingency plan exists.

Determine the extent of transparency in reporting.

Determine whether a cost/benefit analysis was performed for all related projects.

- * 1 and 3.
 - * 1 and 4.
 - * 2 and 3.
 - * 2 and 4.
- – —

Q83. Data regarding four different products manufactured by an organization are presented as follows. Direct material and direct labor are readily available from the respective resource markets.

However, the manufacturer is limited to a maximum of 3,000 machine hours per month.

	Products			
	A	B	C	D
Unit price	US \$15	US \$18	US \$20	US \$25
Variable cost	7	11	10	16

Units Produced per Machine Hour: A: 3 B: 4 C: 2 D: 3

The product that is the most profitable for the manufacturer in this situation is

- * Product A
- * Product B

- * Product C
- * Product D

Answer (B) is correct. When resources are limited, maximum profits are achieved by maximizing the dollar contribution margin per limited or constraining factor. In this situation, machine hours are the constraining factor. Product B has a contribution margin per machine hour of US \$28 [A x (US \$18 – \$11)], which is greater than that of Product A [3 x (US \$15 – \$7) = US \$24], Product C [2 x (US \$20 – \$10) = US \$20], or Product D [3 x (US \$25 – \$16) = US \$27].

Q84. A tax is regressive if:

- * Individuals with higher incomes pay a higher percentage of their income in tax.
- * The burden for payment falls disproportionately on lower-income persons.
- * Individuals pay a constant percentage in taxes, regardless of income level.
- * Individuals with lower incomes pay a lower percentage of their income in tax.

With a regressive tax, the percentage paid in taxes decreases as income increases. For example, excise taxes and payroll taxes are both regressive taxes. An excise tax is regressive because its burden falls disproportionately on lower-income persons. As personal income increases, percentage of income paid declines because an excise tax is a flat amount per quantity of the good or service purchased.

Q85. Which of the following is an example of a contingent liability?

- * A retail store in a shopping mall pays the lesser a minimum monthly rent plus an agreed-upon percentage of sales
- * A company is refusing to pay the invoice for the annual audit because it seems higher than the amount agreed upon with the public accounting entity's partner
- * A company accrues income tax payable in its interim financial statements
- * A lessee agrees to reimburse a lesser for a shortfall in the residual value of an asset under lease

This is a guarantee. The liability is contingent on the lesser's not receiving the full residual value from a third party.

Q86. An organization is considering integration of governance, risk, and compliance (GRC) activities into a centralized technology-based resource. In implementing this GRC resource, which of the following is a key enterprise governance concern that should be fulfilled by the final product?

- * The board should be fully satisfied that there is an effective system of governance in place through accurate, quality information provided.
- * Compliance, audit, and risk management can find and seek efficiencies between their functions through integrated information reporting.
- * Key compliance and risk metrics can be tracked and compared throughout the enterprise, aiding in identifying problem departments.
- * Data analytics can be utilized for trending of the data to ensure that patterns and ongoing monitoring occurs throughout the organization.

Q87. A reader of a statement of cash flows wishes to analyze the major classes of gross cash receipts and gross cash payments from operating activities. Which methods of reporting cash flows from operating activities will supply that information?

- * Both the direct and indirect methods.
- * Only the direct method.
- * Only the indirect method.
- * Neither method

The statement of cash flows may report cash flows from operating activities in either an indirect or a direct format. The direct format reports the major classes of operating cash receipts and cash payments as gross amounts. The indirect presentation adjusts profit or loss to the same amount of net cash from operating activities that would be determined in accordance with the direct method. To arrive at this amount, the indirect method adjusts profit or loss for the effects of noncash transactions, deferrals or accruals of past or future operating cash flows, and income or expense related to financing or investing activities.

Q88. If the market rate of interest is [List A] the coupon rate when bonds are issued, then the bonds will sell in the market at a price [List B] the face value and the issuing firm will record a [List C] on bonds payable.

* List A

List B

List C

* Equal to

Equal to

Premium

* Greater than

Greater than

Premium

* Greater than

Less than

Discount

Less than

Greater than

Discount

Q89. The best evidence that contingency planning is effective is to have:

- * No processing interruptions during the past year.
- * Comprehensive documentation of the plan.
- * Sign off on the plan by the internal audit activity.
- * Successful testing of the plan.

The only way to know whether contingency planning has been effective is to test the plan, by simulating an interruption or by conducting a paper test with a walk-through of recovery procedures, alternative communication systems and site facilities, information systems backup disaster recovery, business impact assessments and resumption plans, procedures for restoring utility services, and maintenance procedures for ensuring the readiness of the organization in the event of emergency of disaster.

Q90. While conducting audit procedures at the organization's data center an internal auditor noticed the following:

Backup media was located on data center shelves.

Backup media was organized by date.

Backup schedule was one week in duration.

The system administrator was able to present restore logs.

Which of the following is reasonable for the internal auditor to conclude?

- * Backup media is not properly stored, as the storage facility should be off-site.
- * Backup procedures are adequate and appropriate according to best practices.

- * Backup media is not properly indexed, as backup media should be indexed by system, not date.
- * Backup schedule is not sufficient, as full backup should be conducted daily.

Q91. Which of the following data security policies is most likely to be the result of a data privacy law?

- * Access to personally identifiable information is limited to those who need it to perform their job.
- * Confidential data must be backed up and recoverable within a 24-hour period.
- * Updates to systems containing sensitive data must be approved before being moved to production.
- * A record of employees with access to insider information must be maintained, and those employees may not trade company stock during blackout periods.

Q92. Which of the following statements is correct regarding risk analysis?

- * 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.
- * The highest risk assessment should always be assigned to the area with the largest potential loss.
- * The highest risk assessment should always be assigned to the area with the highest probability of occurrence.
- * Risk analysis must be reduced to quantitative terms in order to provide meaningful comparisons across an organization.

Passing Score, Duration & Questions For The IIA CIA Part 3 Exam

The passing score: 70% Languages: English Time Duration: 120 minutes Number of Questions: 100 questions

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