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NEW QUESTION: 1

Listening effectiveness is best increased by:

- A. Resisting both internal and external distractions.
- B. Factoring in biases in order to evaluate the information being given.
- C. Tuning out messages that do not seem to fit the meeting purpose.
- D. Waiting to review key concepts until the speaker has finished talking.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 2

What are the objectives of governance as defined by the Standards?

- A. Organize, assign, authorize, and implement.
- B. Inform, direct, manage, and monitor.
- C. Identify, assess, manage, and control.
- D. Add value, improve, assure, and conform.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 3

Which of the following is the primary purpose of financial statement audit engagements?

- A. To provide a review of routine financial reports, including analyses of selected accounts for compliance with generally accepted accounting principles.
- B. To assess the efficiency and effectiveness of the accounting department.
- C. To evaluate organizational and departmental structures, including assessments of process flows related to financial matters.
- D. To provide an analysis of business process controls in the accounting department, including tests of compliance with internal policies and procedures.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 4

Which of the following are components of the ISO 31000 risk management process?

1. Setting the context.
2. Risk treatment.
3. Risk avoidance.
4. Communication.

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 5

According to IIA guidance, which of the following statements is true regarding analytical procedures?

- A.** Analytical procedures can be used to identify unexpected differences but cannot be used to identify the absence of differences
B. Analytical procedures are intended primarily to ensure the accuracy of the information being examined.
C. Data relationships cannot include comparisons between operational and statistical data
D. Data relationships are assumed to exist and to continue where no known conflicting conditions exist.

Answer: (SHOW ANSWER)

NEW QUESTION: 6

According to IIA guidance, which of the following are appropriate actions for the chief audit executive regarding management's response to audit recommendations?

- A.** Evaluate and verify management's response, and determine the need and scope for additional work.
B. Evaluate and verify management's response, and establish timelines for corrective action by management.
C. Oversee the corrective actions undertaken by management, and determine the need and scope for additional work.
D. Oversee the corrective actions undertaken by management, and establish timelines for corrective action by management.

Answer: (SHOW ANSWER)

NEW QUESTION: 7

An audit identified a number of weaknesses in the configuration of a critical client/server system. Although some of the weaknesses were corrected prior to the issuance of the audit report, correction of the rest will require between 6 and 18 months for completion. Consequently,

management has developed a detailed action plan, with anticipated completion dates, for addressing the weaknesses. What is the most appropriate course of action for the chief audit executive to take?

- A.** Assess the status of corrective action during a follow-up audit engagement after the action plan has been completed.
- B.** Reassign information systems auditors to assist in implementing management's action plan.
- C.** Assess the effectiveness of corrections by reviewing statistics related to unplanned system outages, and denials of service.
- D.** Evaluate the ability of the action plan to correct the weaknesses and monitor key dates and deliverables.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 8

Which of the following best describes a market signal?

- A.** The competitor announces a new warranty program.
- B.** Strategic analysis by the organization indicates feasibility of expanding to new market niches.
- C.** There is pressure from the competitor's substitute products.
- D.** The bargaining power of buyers is forcing a drop in market prices.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 9

An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers will the new auditor need to modify?

- A.** Condition section.
- B.** Cause section.
- C.** Criteria section.
- D.** Effect section.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 10

According to IIA guidance, which of the following statements describes one of the similarities between assurance and consulting services?

- A.** Both assurance and consulting services generally involve the internal auditor, the area under review, senior management, and the board.
- B.** Internal auditors must not provide assurance or consulting services for an activity for which they had responsibility within the previous year.
- C.** When planning assurance and consulting engagements, internal auditors must consider the strategies and objectives of the activity being reviewed.

D. Internal auditors determine the engagement objectives, scope, and work program for both assurance and consulting services.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 11

According to IIA guidance, which of the following statements are true regarding the internal audit plan?

1. The audit plan is based on an assessment of risks to the organization.
2. The audit plan is designed to determine the effectiveness of the organization's risk management process.
3. The audit plan is developed by senior management of the organization.
4. The audit plan is aligned with the organization's goals.

A. 1, 3, and 4

B. 3 and 4 only

C. 1 and 2 only

D. 1, 2, and 4

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 12

The critical path for any project is the path that exhibits which of the following characteristics?

- A. Has the longest duration in time.
- B. Costs the most money.
- C. Requires the largest amount of labor
- D. Is deemed most important to the project.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 13

Which of the following authentication controls combines what a user knows with the unique characteristics of the user respectively?

A. Voice recognition and token.

B. Password and fingerprint.

C. Fingerprint and voice recognition

D. Password and token

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 14

An organization is considering the outsourcing of its business processes related to payroll and information technology functions. Which of the following is the most significant area of concern for management regarding this proposed agreement?

A. Ensuring that payments to the vendor are appropriate and timely for the services delivered.

B. Ensuring that there are means of monitoring the effectiveness of the outsourced process.

- C. Ensuring that there are means of monitoring the efficiency of the outsourced process.
- D. Ensuring that the vendor has complete management control of the outsourced process.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 15

According to IIA guidance, which of the following would be the best first step to manage risk when a third party is overseeing the organization's network and data?

- A. Creating a comprehensive reporting system for vendors to demonstrate their ongoing due diligence in network operations
- B. Applying administrative privileges to ensure right-to-access controls are appropriate
- C. Creating a standing cybersecurity committee to identify and manage risks related to data security
- D. Drafting a strong contract that requires regular vendor control reports and a right-to-audit clause.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 16

During the last year, an organization had an opening inventory of \$300,000, purchases of \$980,000, sales of \$1,850,000, and a gross margin of 40 percent. What is the closing inventory if the periodic inventory system is used?

- A. \$300,000
- B. \$170,000
- C. \$280,000
- D. \$540,000

Answer: (SHOW ANSWER)

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NEW QUESTION: 17

Operational management in the IT department has introduced performance evaluation policies that are linked to employees achieving continuing education hours. This activity is designed to prevent which of the following conditions?

- A. Communication failure.

- B. Monitoring gap
- C. Accountability/reward failure.
- D. Knowledge/skills gap

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 18

Due to price risk from the foreign currency purchase of aviation fuel, an airliner has purchased forward contracts to hedge against fluctuations in the exchange rate. When recalculating the exchange losses from individual purchases of jet fuel, which of the following details does the internal auditor need to validate?

1. The hedge documentation designating the hedge.
2. The spot exchange rate on the transaction date.
3. The terms of the forward contract.
4. The amount of fuel purchased.

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 19

Reviewing prior audit reports and supporting workpapers before an engagement starts enables an internal auditor to do which of the following?

1. To understand better the activity and processes that will be audited.
2. To identify the audit procedures that will be used during the engagement.
3. To ensure that matters of greatest vulnerability will be addressed.
4. To use the information obtained as evidence in the current engagement.

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

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 20

An internal audit activity is using the auditing-by-element approach to audit the organization's controls around corporate social responsibility. Which of the following would be an element for the internal audit activity to consider?

- A. Working conditions.
- B. Employees' families.
- C. Marketplace competition.
- D. Shareholders and investors.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 21

An internal auditor is evaluating techniques management uses to mitigate risks within a particular product division. Which of the following is an example of risk reduction?

- A. Management outsources the product division to a third party.
- B. Management modifies the product division to minimize errors.
- C. Management sells the product division to a competitor.
- D. Management allows the product division to remain unchanged.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 22

Which of the following describes a key characteristic related to effective organizational communication?

- A. A well-designed system of internal controls.
- B. A culture of integrity and transparency.
- C. Comprehensive supervisory and verification procedures.
- D. Unique operating environments with varying complexity.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 23

Which of the following is a type of network in which an organization permits specific users (such as existing customers) to have access to its internal network through the Internet by building a virtual private network?

- A. Digital subscriber line.
- B. Broadband.
- C. Extranet.
- D. Intranet.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 24

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. Develop an integrated test facility and submit false claims to verify that the system is detecting such claims on a consistent basis.
- B. Require the physician to submit a signed statement attesting that the treatments had been performed.
- C. Send confirmations to the physicians, requesting them to verify the exact nature of the claims submitted to the insurance provider.

D. Use computer software to identify abnormal claims based on the insured's age and medical history.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 25

At what point during the systems development process should an internal auditor verify that the new application's connectivity to the organization's other systems has been established correctly?

- A. During maintenance of the new application.
- B. Prior to testing the new application.
- C. During testing of the new application.
- D. During implementation of the new application.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 26

Which of the following is the primary engagement responsibility of an entry-level internal auditor?

- A. Documentation.
- B. Leadership.
- C. Analysis.
- D. Reporting.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 27

According to IIA guidance, which of the following statements is true regarding the authority of the chief audit executive (CAE) to release previous audit reports to outside parties?

- A. The CAE can only release prior information outside the organization when mandated by legal or statutory requirements.
- B. The CAE can release prior information provided it is as originally published and distributed within the organization.
- C. The CAE can employ judgment and release prior audit results as they deem appropriate and necessary.
- D. The CAE can release prior internal audit reports with the approval of the board and senior management.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 28

Which of the following options correctly defines a transmission control protocol/Internet protocol (TCP/IP)?

- A. System software that acts as an interface between a user and a computer.
- B. A standardized set of guidelines that facilitates communication between computers on different networks.

C. System software that translates hypertext markup language to allow users to view a remote webpage.

D. A network of servers used to control a variety of mission-critical operations.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 29

Which of the following offers the best evidence that the internal audit activity has achieved organizational independence?

A. The internal audit charter is drafted properly and approved by the appropriate parties.

B. An independent third party has assessed the organization's system of internal controls to be adequate and effective.

C. The mission statement and strategy of the internal audit activity demonstrates alignment to organizational objectives.

D. The chief audit executive reports both functionally and administratively to the CEO.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 30

An organization had three large centralized divisions: one that received customer orders for service work; one that scheduled the service work at customer locations; and one that answered customer calls about service problems. These three divisions were restructured into seven regional groups, each of which performed all three functions. One advantage of this restructuring would be:

A. Greater economies of scale.

B. Improved work flow.

C. Better internal controls.

D. Increased specialization.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 31

Which of the following factors is most likely to lead to a lack of cohesiveness in a project team?

A. Small size.

B. Competition

C. Common threat

D. Prestige

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 32

According to IIA guidance, which of the following is true when the internal audit activity is asked to investigate potential ethics violations in a foreign subsidiary?

- A. Cross-cultural differences should always be handled by the staff of the same cultural background.
- B. Cultural impacts are less critical where the organization practices uniform policies around the globe.
- C. Local law enforcement should be involved as they are more familiar with the applicable local laws.
- D. Communication of any internal ethics violations to external parties may occur with appropriate safeguards.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 33

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 34

Which of the following activities is most likely to require a fraud specialist to supplement the knowledge and skills of the internal audit activity?

- A. Completing a process review to improve controls to prevent fraud.
- B. Interrogating a suspected fraudster.
- C. Planning an engagement of the area in which fraud is suspected.
- D. Employing audit tests to detect fraud.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 35

Which of the following are appropriate functions for an IT steering committee?

- 1. Assess the technical adequacy of standards for systems design and programming.

2. Continually monitor of the adequacy and accuracy of software and hardware in use.
3. Assess the effects of new technology on the organization`s IT operations.
4. Provide broad oversight of implementation, training, and operation of new systems.

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

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 36

An internal auditor is conducting a financial audit. Which of the following audit procedures is most appropriate when existing internal controls are weak?

- A. Test of control.
- B. Analytical procedures.
- C. Detail testing.
- D. Test of design.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 37

A manufacturing line supervisor joins the internal audit activity for a two-year rotational job assignment and is assigned to an accounts receivable audit. With regard to this assignment, which of the following should be the primary concern of the audit manager?

- A. Organizational independence.
- B. Individual objectivity.
- C. Individual independence.
- D. Due professional care.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 38

An internal audit team is performing an audit of workplace accident claims. Which of the following actions by the audit team best demonstrates due professional care?

- A. Having an occupational health officer on the engagement team.
- B. Determining that the claims have been classified properly.
- C. Reviewing claims to ensure all accidents actually occurred in the workplace.
- D. Placing reliance on medical reports from the injured worker's doctor.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 39

An audit client responded to recommendations from a recent consulting engagement. The client indicated that several recommended process improvements would not be implemented. Which of the following actions should the internal audit activity take in response?

- A. Escalate the unresolved issues to the board, because they could pose significant risk exposures to the organization.
- B. Initiate an assurance engagement on the unresolved issues.
- C. Confirm the decision with management and document this decision in the audit file.
- D. Document the issue in the audit file and follow up until the issues are resolved.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 40

The market price is the most appropriate transfer price to be charged by one department to another in the same organization for a service provided when:

- A. There is no external market for that service.
- B. The selling department operates at 50 percent of its capacity.
- C. The purchasing department has more negotiating power than the selling department.
- D. There is an external market for that service.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 41

According to IIA guidance, which of the following are considerations of due professional care when an internal auditor conducts a formal consulting engagement?

1. The complexity of the work required.
2. The needs and expectations of the client.
3. The potential value of the engagement compared to the effort.
4. Information regarding assumptions and procedures to be employed.

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

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 42

A code of business conduct should include which of the following to increase its deterrent effect?

1. Appropriate descriptions of penalties for misconduct.
2. A notification that code of conduct violations may lead to criminal prosecution.
3. A description of violations that injure the interests of the employer.
4. A list of employees covered by the code of conduct.

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

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 43

When auditing the award of a major contract, which of the following should an internal auditor suspect as a red flag for a bidding fraud scheme?

1. Subsequent change orders increase requirements for low-bid items.
2. Material contract requirements are different on the actual contract than on the request for bids.
3. A high percentage of employees are charged to indirect accounts.
4. Losing bidders are hired as subcontractors.

A. 2 and 4.

B. 1 and 3.

C. 2 only

D. 1 only

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 44

An organization has a complex systems infrastructure consisting of multiple internally developed, off the shelf, and purchased but significantly customized applications. Some of these applications share databases or process data that is used by another stand-alone application, and interfaces have been written to move data between these applications as needed through batch processing. Which of the following situations presents the greatest risk exposure given this environment?

A. The implementation of a major update for a key application is delayed until any potential interdependencies are identified and analyzed.

B. Batch processing jobs include key financial data that is not posted to the accounting system until the next day, preventing real-time queries.

C. The job scheduling tool frequently malfunctions, causing scheduled jobs not to run. An error message is sent to IT personnel when a job fails.

D. Documentation of each system and its interactions, interfaces, and dependencies with other systems and databases is not gathered and maintained.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 45

Maintenance cost at a hospital was observed to increase as activity level increased. The following data was gathered:

Activity Level -

Maintenance Cost

Month

Patient Days

Incurred

January

5,600

\$7,900

February

7,100
\$8,500
March
5,000
\$7,400
April
6,500
\$8,200
May
7,300
\$9,100
June
8,000
\$9,800

If the cost of maintenance is expressed in an equation, what is the independent variable for this data?

- A. Fixed cost.
- B. Variable cost.
- C. Patient days.
- D. Total maintenance cost.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 46

If legal or regulatory standards prohibit conformance with certain parts of The IIA's Standards, the auditor should do which of the following?

- A. Withdraw from the engagement.
- B. Conform with all other parts of The IIA's Standards and provide appropriate disclosures.
- C. Continue the engagement without conforming with the other parts of The IIA's Standards.
- D. Conform with all other parts of The IIA's Standards; there is no need to provide appropriate disclosures.

Answer: B (LEAVE A REPLY)

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NEW QUESTION: 47

Which of the following would best prevent unauthorized external changes to an organization's data?

- A. Antivirus software, firewall, data encryption.
- B. Antivirus software, data encryption, change logs.
- C. Antivirus software, firewall, backup procedures.
- D. Firewall, data encryption, backup procedures.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 48

According to the International Professional Practices Framework, which of the following statements is true regarding a corporate social responsibility (CSR) program?

1. Every employee generally has a responsibility for ensuring the success of CSR objectives.
2. The board has overall responsibility for the effectiveness of internal control processes associated with CSR.
3. Public reporting on the CSR governance process is expected.
4. Organizations generally have flexibility regarding what is included in a CSR program.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 49

Which of the following enhances the independence of the internal audit activity?

- A. The CAE administratively reports to the board.
- B. The chief audit executive (CAE) approves the annual internal audit plan.
- C. The chief executive officer approves the internal audit charter.
- D. The audit committee approves the CAE's annual salary increase.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 50

Which of the following are typical responsibilities for operational management within a risk management program?

1. Implementing corrective actions to address process deficiencies.
2. Identifying shifts in the organization's risk management environment.
3. Providing guidance and training on risk management processes.
4. Assessing the impact of mitigation strategies and activities.

- A. 2 and 3 only
- B. 1 and 4 only
- C. 3 and 4 only

D. 1 and 2 only

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 51

An internal auditor in a small broadcasting organization was assigned to review the revenue collection process.

The auditor discovered that some checks from three customers were never recorded in the organization's financial records. Which of the following documents would be the least useful for the auditor to verify the finding?

A. Customer confirmation letters.

B. Copies of sales invoices.

C. Bank statements.

D. Copies of deposit slips.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 52

An organization engages in questionable financial reporting practices due to pressure to meet unrealistic performance targets. Which internal control component is most negatively affected?

A. Control activities.

B. Risk assessment.

C. Monitoring.

D. Control environment.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 53

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.

A. 2 and 4 only

B. 1 and 3 only

C. 1 and 2 only

D. 3 and 4 only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 54

Which stage of group development is characterized by a decrease in conflict and hostility among group members and an increase in cohesiveness?

A. Norming stage.

- B. Storming stage.
- C. Performing stage.
- D. Forming stage.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 55

The head of the research and development department at a manufacturing organization believes that his team lacks expertise in some areas, and he decides to hire more experienced researchers to assist in the development of a new product. Which of the following variances are likely to occur as the result of this decision?

1. Favorable labor efficiency variance.
2. Adverse labor rate variance.
3. Adverse labor efficiency variance.
4. Favorable labor rate variance.

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 56

Which of the following best demonstrates the authority of the internal audit activity?

- A. Suggesting alternatives to decision makers.
- B. Achieving engagement objectives.
- C. Determining the scope of internal audit services.
- D. Improving the integrity of information.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 57

Which of the following does not provide operational assurance that a computer system is operating properly?

- A. Performing a system audit.
- B. Conducting system monitoring.
- C. Making system changes.
- D. Testing policy compliance.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 58

Which of the following options is the most cost-effective and efficient way for internal auditors to keep current with the latest developments in the internal audit profession?

- A. Attending annual professional conferences and seminars.

- B. Maintaining membership in The HA and similar professional organizations and subscribing to relevant email updates or news feeds.
- C. Pursuing as many professional certifications as possible.
- D. Participating in on-the-job training in various departments of the organization.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 59

An internal auditor is investigating a potential fraudulent activity. What is the first test the auditor should perform on the transaction data under scrutiny?

- A. Detailed review of the data contents to strategize the best analytical techniques.
- B. Digital analysis for statistically unlikely occurrences that may indicate system tampering.
- C. Calculation of statistical parameters to identify outliers requiring further scrutiny.
- D. Verification of the completeness and integrity of the obtained data.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 60

During an assurance engagement, an internal auditor discovered that a sales manager approved numerous sales contracts for values exceeding his authorization limit. The auditor reported the finding to the audit supervisor, noting that the sales manager had additional new contracts under negotiation. According to IIA guidance, which of the following would be the most appropriate next step?

- A. The audit supervisor should remind the sales manager of his authority limit for the contracts under negotiation.
- B. The auditor should not reference the new contracts, because they are not yet signed and therefore cannot be included in the final report.
- C. The audit supervisor should communicate the finding to the supervisor of the sales manager through an interim report.
- D. The audit supervisor should include the new contracts in the finding for the final audit report.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 61

According to the Standards, which of the following is least important in determining the adequacy of an annual audit plan?

- A. Sufficiency.
- B. Appropriateness.
- C. Cost effectiveness.
- D. Effective deployment.

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 62

Preferred stock is less risky for investors than is common stock because:

- A. Preferred stock with no conversion feature has a higher dividend yield than does convertible preferred stock.
- B. Common stock pays dividends as a stated percentage of face value.
- C. Common stock has priority over preferred stock with regard to earnings and assets.
- D. Preferred dividends are usually cumulative.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 63

Which of the following is the most common way that occupational fraud is detected?

- A. Internal audits.
- B. External audits.
- C. Whistleblower hotline.
- D. Key controls.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 64

A former line supervisor from the Financial Services Department has completed six months of a two-year development opportunity with the internal audit activity (IAA). She is assigned to a team that will audit the organization's payroll function, which is managed by the Human Resources Department. Which of the following statements is most relevant regarding her independence and objectivity with respect to the payroll audit?

- A. She may participate for training purposes, to build her knowledge of the IAA.
- B. She may participate, because she did not previously work in the Human Resources Department.
- C. She may participate, but only after she has completed one year with the IAA.
- D. She may participate, but she must be supervised by the auditor in charge.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 65

What is the primary benefit to the internal audit activity for undertaking an internal quality assessment?

- A. To help improve the overall quality of the internal audit activity's work.
- B. To help the internal audit activity complete its annual assurance plan.
- C. To identify inefficiencies within the internal audit team.
- D. To identify key risks and areas of concern within the organization.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 66

According to the IA Code of Ethics, which of the following statements best describes the principle of competency?

- A. Internal auditors shall be prudent in the use of information acquired while performing their work.
- B. Internal auditors shall perform their work in accordance with the Standards.
- C. Internal auditors shall perform their work with honesty, diligence, and responsibility.
- D. Internal auditors shall perform their work in accordance with the law and make disclosures expected by the law.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 67

According to the COSO enterprise risk management framework, which of the following best describes the activity that helps ensure risk responses are carried out effectively?

- A. Event identification.
- B. Objective setting.
- C. Information and communication.
- D. Control activities.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 68

Which of the following would be considered a violation of The IIA's mandatory guidance on independence?

- A. The chief audit executive (CAE) reports functionally to the board and administratively to the chief financial officer.
- B. The CAE updates the internal audit charter and presents it to the board for approval periodically, not on a specific timeline.
- C. The CAE confirms to the board, at least once every five years, the organizational independence of the internal audit activity.
- D. The board seeks senior management's recommendation before approving the annual salary adjustment of the CAE.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 69

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. 3 and 4.
- C. 1 and 3.
- D. 2 and 4.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 70

Which of the following is a role of the board of directors in the governance process?

- A. Review and approve operational goals and objectives.
- B. Conduct periodic assessments of the organization's governance systems.
- C. Obtain assurance concerning the effectiveness of the organization's governance systems.
- D. Implement an effective system of internal controls to support the organization's governance systems.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 71

Which of the following statements regarding database management systems is not correct?

- A. The data within the database management system can only be manipulated directly by the database management system administrator.
- B. Database management systems handle data manipulation inside the tables, rather than it being done by the operating system itself in files.
- C. The database management system acts as a layer between the application software and the operating system.
- D. Applications pass on the instructions for data manipulation which are then executed by the database management system.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 72

The first stage in the development of a crisis management program is to:

- A. Formulate contingency plans.
- B. Conduct a risk analysis.
- C. Practice the response to a crisis.

D. Create a crisis management team.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 73

Which of the following responsibilities would fall under the role of the chief audit executive, rather than internal audit staff or the audit manager?

- A. Apply problem-solving techniques for routine situations.
- B. Maintain industry-specific knowledge appropriate to the audit engagements
- C. Manage and support a quality assurance and improvement program.
- D. Set clear performance standards for internal auditors and the internal audit activity.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 74

An organization has a health and safety division that conducts audits to meet regulatory requirements. The chief health and safety officer reports directly to the CEO. Which of the following describes an appropriate role for the chief audit executive (CAE) with regard to the organization's health and safety program?

- A. The CAE should coordinate with, and review the work of, the chief health and safety officer to gain an understanding of whether risks related to health and safety are managed properly.
- B. The CAE has no role to play, because the chief health and safety officer reports to a senior executive.
- C. The CAE should give periodic reports directly to the regulator regarding health and safety issues, as it is the appropriate regulatory oversight body.
- D. The CAE should hire an independent external specialist to conduct an annual assessment and provide assurance over the effectiveness of the health and safety program and the reliability of its reports.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 75

An organization facing rapid growth decides to employ a third party service provider to manage its customer relationship management function. Which of the following is true regarding the supporting application software used by that provider compared to an in-house developed system?

1. Updating documentation is always a priority.
2. System availability is usually more reliable.
3. Data security risks are lower.
4. Overall system costs are lower.

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

Answer: C (LEAVE A REPLY)

NEW QUESTION: 76

Which of the following is a justifiable reason for omitting advance client notice when planning an audit engagement?

- A. Previous management action plans addressing prior internal audit recommendations remain incomplete.
- B. The audit engagement has already been communicated and approved through the annual audit plan.
- C. The engagement includes audit assurance procedures such as sensitive or restricted asset verifications.
- D. Advance notice may result in management making corrections to reduce the number of potential deficiencies.

Answer: (SHOW ANSWER)

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NEW QUESTION: 77

The economic order quantity can be calculated using the following formula:

$$Q = \sqrt{\frac{2Dp}{s}}$$

- Q = Order size in units
- D = Annual demand in units
- p = Cost per purchase order
- s = Carrying cost per year for one unit of inventory

Which of the following describes how the optimal order size will change if the annual demand increases by 36 percent?

- A. Decrease by about 7 percent.
- B. Increase by about 7 percent.
- C. Decrease by about 17 percent.
- D. Increase by about 17 percent.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 78

Which of the following activities should the chief audit executive perform to ensure compliance with an organization's code of conduct?

- A. Implement a system of procedures to inform all employees of the code.
- B. Review and adjudicate all violations of the code of conduct.
- C. Act as an adviser to the committee responsible for reviewing violations of the code.
- D. Lead the committee responsible for the oversight of the code.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 79

An internal auditor is assessing the organization's risk management framework. Which of the following formulas should he use to calculate the residual risk?

(Probability of events) × (Control) × (Asset value)

A)

(Probability of events) × (Impacts) × (Controls gap)

B)

(Probability of events) × (Impacts)

C)

D)

A. Option B

B. Option C

C. Option D

D. Option A

Answer: (SHOW ANSWER)

NEW QUESTION: 80

Which of the following examples demonstrates that the internal audit activity uses descriptive analytics in its engagements?

- A. An internal auditor classified solar panel sales by region and discovered unsuccessful sales representatives.
- B. An internal auditor extracted sales data to a spreadsheet and applied judgmental analysis for sampling.
- C. An internal auditor analyzed electricity production and sales interim reports and compiled a risk assessment.
- D. An internal auditor broke down a complex process into smaller pieces to make it more understandable.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 81

If appropriate safeguards exist, which of the following is considered a legitimate internal audit role within risk management at an organization?

- A. Providing consolidated reporting on risks.
- B. Making decisions on risk responses.
- C. Taking accountability for risk management.
- D. Imposing risk management processes.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 82

An organization has recorded the following profit and expenses:

Profit before interest and tax

\$200,000

Sales

\$2,300,000

Purchases of materials

\$700,000

Interest expenses

\$30,000

If the value-added tax (VAT) rate is 20 percent and the corporate tax rate is 30 percent, which of the following is the amount of VAT that the organization has to pay?

- A. \$60,000
- B. \$51,000
- C. \$34,000
- D. \$320,000

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 83

Which of the following factors should a chief audit executive consider when determining the audit universe?

1. Components of the organization's strategic plan.
2. Inputs from senior management and the board.
3. Views of competitors and business associates.
4. Results of exit interviews with departing employees.

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 84

According to IIA guidance, which of the following should be included in the internal audit charter?

- A. Organizational relationships and reporting lines.
- B. Assigned responsibilities for designing and implementing controls.
- C. The minimum resources and competencies needed for the internal audit activity.
- D. Identification of the organizational units where engagements are to be performed.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 85

Which of the following financial instruments should be recorded at fair market value on the financial statements?

- A. Notes receivable in the short term
- B. Bonds to be held for sale in the short term.
- C. Accounts receivable in the short term
- D. Bonds to be held to maturity.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 86

Import quotas that limit the quantities of goods that a domestic subsidiary can buy from its foreign parent company represent which type of barrier to the parent company?

- A. Financial.
- B. Social.
- C. Tariff.
- D. Political.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 87

According to IIA guidance, which of the following accurately describes the responsibilities of the chief audit executive with respect to the final audit report?

1. Coordinate post-engagement conferences to discuss the final audit report with management.
2. Include management's responses in the final audit report.
3. Review and approve the final audit report.
4. Determine who will receive the final audit report.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 88

Which of the following is a typical example of structured data?

- A. Sales reports documented in word processing software.
- B. Photos and videos stored in hard drive catalogs.

- C. Production information maintained in relational tables.
- D. Tweets and posts of users on social media.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 89

According to IIA guidance, which of the following scenarios demonstrates an internal auditor exercising due professional care?

When auditing investments, the auditor identified instruments with which he was unfamiliar.

He decided not to select that type of investment in his sample, as he did not have the knowledge needed to

A. perform a proper assessment.

B. He identified a junior auditor to conduct the work for him on a complex area of the organization.

C. An auditor was reviewing inventory counts conducted by the warehouse staff. One truck containing an immaterial amount of inventory was off-site and wasn't verified by the auditor.

D. An auditor visited a plant that produces a significant portion of the organization's inventory. The day he arrived, the plant manager was out sick, so the auditor issued the report without interviewing the manager.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 90

Which of the following statements accurately describes the responsibility of the internal audit activity regarding IT governance?

1. The internal audit activity does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.

2. The internal audit activity must assess whether the IT governance of the organization supports the organization's strategies and objectives.

3. The internal audit activity may assess whether the IT governance of the organization supports the organization's strategies and objectives.

4. The internal audit activity may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.

A. 4 only.

B. 2 and 4.

C. 3 and 4.

D. 1 only.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 91

Which of the following is an effective approach for internal auditors to take to improve collaboration with audit clients during an engagement?

1. Obtain control concerns from the client before the audit begins so the internal auditor can tailor the scope accordingly.
2. Discuss the engagement plan with the client so the client can understand the reasoning behind the approach.
3. Review test criteria and procedures where the client expresses concerns about the type of tests to be conducted.
4. Provide all observations at the end of the audit to ensure the client is in agreement with the facts before publishing the report.

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

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 92

A furniture manufacturer has installed a new fire sprinkler system at its central warehouse and canceled the existing fire insurance policy on that property. What change of risk response strategy does this course of action most likely reflect?

- A. From acceptance to reduction.
- B. From sharing to reduction.
- C. From sharing to avoidance.
- D. From acceptance to avoidance.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 93

Which of the following is a characteristic of just-in-time inventory management systems?

- A. They rely heavily on high quality materials.
- B. They are applicable only to large organizations.
- C. They do not really increase overall economic efficiency because they merely shift inventory levels further up the supply chain.

D. Users determine the optimal level of safety stocks.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 94

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

- A. The business impact analysis plan
- B. The business case for business continuity planning
- C. The business continuity risk assessment plan
- D. The business continuity management charter.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 95

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?

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

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 96

The board has requested that the internal audit activity be involved in all phases of the organization's outsourcing of its network management. During which of the following stages is the internal auditor most likely to verify that the organization's right-to-audit clause is drafted effectively?

- A. Monitoring and reporting phase
- B. Implementation and transition phase.
- C. Decision-making and business-case phase.
- D. Tendering and contracting phase.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 97

When creating the internal audit plan, the chief audit executive should prioritize engagements based primarily on which of the following?

- A. The auditable areas required by regulatory agencies.
- B. The longest interval since the last examination of each audit universe item.
- C. The last available risk assessment.
- D. Requests from senior management and the board.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 98

The internal audit activity completed an initial risk analysis of the organization's data storage center and found several areas of concern. Which of the following is the most appropriate next step?

- A. Risk assessment.
- B. Identification of context.
- C. Risk identification.
- D. Risk response.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 99

The board has asked the internal audit activity (IAA) to be involved in the organization's enterprise risk management process. Which of the following activities is appropriate for IAA to perform without safeguards?

- A. Coach management in responding to risks.
- B. Evaluate risk management processes.
- C. Develop risk management strategies for board approval.
- D. Facilitate identification and evaluation of risks.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 100

Unsecured loans are loans:

- A. Backed by mortgaged assets.
- B. That appear to be too risky for most lenders to consider.
- C. Granted on the basis of a company's credit standing.
- D. That do not have to be repaid for over one year.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 101

Which of the following conditions are necessary for successful change management?

1. Decisions and necessary actions are taken promptly.
2. The traditions of the organization are respected.
3. Changes result in improvement or reform.
4. Internal and external communications are controlled.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 102

An internal auditor is performing analytical reviews as part of an audit of a supermarket's merchandising department. Because the economy has declined since midyear, the auditor can expect to encounter which of the following?

- A. Lower sales volume.
- B. Lower obsolete stock disposal.
- C. Higher inventory turnover.
- D. Higher operating margin.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 103

A snow removal company is conducting a scenario planning exercise where participating employees consider the potential impacts of a significant reduction in annual snowfall for the coming winter. Which of the following best describes this type of risk?

- A. Residual.
- B. Inherent.
- C. Accepted.
- D. Net.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 104

It is close to the fiscal year end for a government agency, and the chief audit executive (CAE) has the following items to submit to either the board or the chief executive officer (CEO) for approval. According to IIA guidance, which of the following items should be submitted only to the CEO?

- A. The internal audit risk assessment and audit plan for the next fiscal year.
- B. The evaluation and compensation of the internal audit team.
- C. A request for an increase of the CAE's salary for the next fiscal year.
- D. The internal audit budget and resource plan for the coming fiscal year.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 105

Which of the following are the most common characteristics of big data?

- A. Continuity, control convenience
- B. Velocity, variety volume.
- C. Complexity completeness constancy
- D. Visibility, validity, vulnerability

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 106

Which of the following statements accurately describes an internal auditor's responsibility with regard to due professional care?

- A. An internal auditor's opinion should be based on experience and free of all bias.
- B. An internal auditor should express an opinion only when consensus with top management has been achieved.
- C. An internal auditor's opinion should be based on factual evidence.
- D. An internal auditor's opinion should be limited to the effectiveness of internal controls.

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 107

Organizational activities that complement each other and create a competitive advantage are called a:

- A. Merger.
- B. Joint venture.
- C. Strategic goal.
- D. Strategic fit.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 108

Which of the following is not an objective of internal control?

- A. Compliance.
- B. Efficiency.
- C. Accuracy.
- D. Validation.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 109

The decision to implement enhanced failure detection and back-up systems to improve data integrity is an example of which risk response?

- A. Risk sharing.
- B. Risk avoidance.
- C. Risk reduction.
- D. Risk acceptance.

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 110

For a multinational organization, which of the following is a disadvantage of an ethnocentric staffing policy?

1. It significantly raises compensation and staffing costs.
2. It produces resentment among the organization's employees in host countries.
3. It limits career mobility for parent-country nationals.
4. It can lead to cultural myopia.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 111

Which of the following is based on the concept that there is not one best leadership style and that successful leadership depends on a match between the leader, the situation, and the subordinate?

- A. Life cycle model
B. Attribute theory.
C. Path goal model
D. Contingency theory

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 112

An organization is beginning to implement an enterprise risk management program. One of the first steps is to develop a common risk language. Which of the following statements about a common risk language is true?

- A. Internal auditors will be able to reduce their sample sizes because controls will be more consistent.
B. Stakeholders will have more assurance that the risks are assessed consistently.
C. Management will be able to reduce inherent risk because they will have a better understanding of risk.
D. Decision makers will understand that the likelihood of missing or ineffective controls will be reduced.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 113

Which of the following actions is most likely to gain support for process change?

- A. Set clear objectives.
B. Establish key competencies.

- C. Demonstrate support from senior management.
- D. Engage the various communities of practice within the organization.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 114

Which of the following would be a risk in the development of end-user computing (EUC) applications, compared to traditional information systems?

- A. The organization may incur higher application development and maintenance costs for EUC systems.
- B. Management may not be able to make quick and accurate decisions due to a diminished capacity to respond to managerial requests for computerized information
- C. Management might place the same degree of reliance in reports produced by EUC applications as it does in reports produced under traditional systems development procedures .
- D. Since development time is typically longer for EUC applications, management may not be able to respond quickly to competitive pressures

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 115

Which of the following is most likely to function as a directive control?

- A. Cycle counts.
- B. Insurance claims.
- C. Security dogs.
- D. Alert employees.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 116

Which of the following documents is most appropriate in promoting the objectivity of the internal audit activity?

- A. Personal responsibility policy.
- B. Usage of IT system policy.
- C. Risk management framework.
- D. Acceptance of gifts policy.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 117

For which of the following fraud engagement activities would it be most appropriate to involve a forensic auditor?

- A. Preparing evidentiary documentation.
- B. Assessing contracts for relevant terms and conditions.
- C. Independently evaluating conflicts of interests.
- D. Performing statistical analysis for data anomalies.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 118

Which of the following is a key component of an organization's cybersecurity governance?

- A. Senior management of the organization setting the cybersecurity policy
- B. Administrators monitoring the use, assignment and configuration of privileges on the network.
- C. Management identifying and classifying the types of critical data in the organization's system
- D. The IT department establishing^ implementing, and actively managing security configurations.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 119

Which of the following best explains why integrity is a necessary personal quality for internal auditors at all levels?

- A. Internal auditor integrity enables the internal auditor to avoid being challenged by any party in the organization.
- B. Internal auditor integrity enables users of internal auditors' work to make important business decisions.
- C. Internal auditor integrity enables stakeholders to constantly question the work of the internal audit activity.
- D. Internal auditor integrity enables the internal audit activity to be able to demonstrate independence.

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 120

Which of the following are typical audit considerations for a review of authentication?

- 1. Authentication policies and evaluation of controls transactions.
- 2. Management of passwords, independent reconciliation, and audit trail.
- 3. Control self-assessment tools used by management.
- 4. Independent verification of data integrity and accuracy.

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

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 121

Which of the following best ensures the independence of the internal audit activity?

- 1. The CEO and audit committee review and endorse any changes to the approved audit plan on an annual basis.
- 2. The audit committee reviews the performance of the chief audit executive (CAE) periodically.
- 3. The internal audit charter requires the CAE to report functionally to the audit committee.

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

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 122

The chief audit executive (CAE) of a small internal audit activity (IAA) plans to test conformance with the Standards through a quality assurance review. According to the Standards, which of the following are acceptable practice for this review?

1. Use an external service provider.
2. Conduct a self-assessment with independent validation.
3. Arrange for a review by qualified employees outside of the IAA.
4. Arrange for reciprocal peer review with another CAE.

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

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 123

If a bank's activities are categorized under such departments as community banking, institutional banking, and agricultural banking, what kind of departmentalization is being utilized?

- A. Customer departmentalization.
- B. Process departmentalization.
- C. Functional departmentalization.
- D. Product departmentalization.

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 124

Which of the following actions would be characterized as a preventive control to safeguard inventory from the risk of theft?

1. Locking doors and physically securing inventory items.
2. Independently observing the receipt of materials.
3. Conducting monthly inventory counts.
4. Requiring the use of employee ID badges at all times.

A. 2 and 3.

B. 2 and 4.

C. 1 and 3.

D. 1 and 4.

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 125

An assurance mapping exercise helps an organization do which of the following?

1. Provide assurance to stakeholders that risks are managed and reported, and regulatory and legal obligations are met.
2. Fulfill best practices in the industry.
3. Identify and address any gaps in the risk management process.
4. Identify fraud.

A. 2 and 3.

B. 1 and 3.

C. 1 and 4.

D. 3 and 4.

Answer: ([SHOW ANSWER](#))

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