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NEW QUESTION: 1

While performing an accounts payable engagement, a senior auditor wants to conduct several tests of controls for travel expenses. Which of the following actions are most appropriate for the senior auditor to undertake?

1. Ensure all tests use a random sampling technique. 2. Consider a judgmental approach for the sample size. 3. Assess testing errors through root cause analysis. 4. Ensure that the entire data set is tested.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 2

Which of the following types of information would an internal auditor expect to find in the supporting documentation for a high-level accounts payable process flowchart?

- A. A copy of the new customer request form.
- B. An overview of the steps for validating invoices.
- C. The number of payments paid before the due date of the invoice.
- D. The payment terms and credit limit of the vendor to be paid.

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

Section: Volume D

NEW QUESTION: 3

The chief audit executive (CAE) has assigned an internal auditor to an upcoming engagement. Which of the following requirements would most likely indicate that the internal auditor was assigned to an assurance engagement?

- A.** The assigned internal auditor must determine the objectives, scope, and techniques of the engagement.
- B.** The assigned internal auditor must not assume management responsibilities while performing the engagement.
- C.** The assigned internal auditor must maintain objectivity while performing the engagement.
- D.** The CAE must personally obtain the needed skills, knowledge, or other competencies if the internal auditor does not have them.

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

NEW QUESTION: 4

A computer system automatically locks a user's account after three unsuccessful attempts to log on.

Which type of control does this scenario represent?

- A.** Corrective control.
- B.** Preventive control.
- C.** Detective control.
- D.** Compensating control.

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

NEW QUESTION: 5

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

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

NEW QUESTION: 6

An internal auditor is testing the controls of a large and complex food production process where quality assurance is critical. Management provides process charts and documentation, but the auditor quickly determines that this information is incomplete and out of date. Which of the following would be the most appropriate course of action for the auditor to follow?

- A.** Defer the audit until management can provide updated charts and documentation as this is their responsibility.
- B.** Use the documentation but use observation during the engagement to provide missing information.

C. Use the documentation but meet with the production supervisor to obtain updated information before proceeding.

D. Amend the engagement objectives recognizing that important information is not available to protect the engagement's integrity.

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

NEW QUESTION: 7

Which of the following statements is true regarding assurance services provided to clients outside of the organization?

A. Assurance services for outside clients are not covered under the internal audit charter.

B. Assurance services for outside clients must be approved on a case-by-case basis by the board of directors.

C. The nature of assurance services for outside clients should be defined in the internal audit charter.

D. The nature of assurance services for outside clients is the same as for internal clients.

Answer: (SHOW ANSWER)

Section: Volume F

NEW QUESTION: 8

Which of the following would be the least significant consideration when performing a risk analysis?

A. Financial exposure and potential loss.

B. Skills available within the audit staff.

C. Results of prior audits.

D. Major operating changes.

Answer: (SHOW ANSWER)

NEW QUESTION: 9

Which of the following controls within a spreadsheet would address the risk of logic errors?

1. The spreadsheet contains formulas that foot and cross-foot data.

2. The spreadsheet is locked to protect cell formulas from being inadvertently changed.

3. Spreadsheets are included in nightly backup processes.

4. Check-in and check-out software is used to manage version control.

A. 1 and 2 only

B. 1 and 3 only

C. 2 and 4 only

D. 3 and 4 only

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

Section: Volume D

NEW QUESTION: 10

An internal auditor notes that employees are able to download files from the internet. According to IIA guidance, which of the following strategies would best protect the organization from the risk of copyright infringement and licensing violations resulting from this practice?

- A. Apply antivirus and patch management software.
- B. Utilize dedicated and encrypted network connections.
- C. Install a software inventory management application.
- D. Utilize secure socket layer encryption.

Answer: C (LEAVE A REPLY)

Section: Volume E

Explanation/Reference:

NEW QUESTION: 11

Which of the following is a benefit from reduced testing during a particular phase of an audit engagement?

- A. The size of the internal audit activity can be reduced.
- B. Additional audit hours are available for pursuing other engagement objectives.
- C. The level of planned audit risk is lowered.
- D. There is less concern about assessing inherent risk.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 12

In selecting an instructional strategy for developing internal audit staff, a chief audit executive should first review the:

- A. Content of potential training courses.
- B. Organization's objectives.
- C. Department's budget constraints.
- D. Internal auditors' personal development needs.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 13

According to the International Professional Practices Framework, risk is:

- I. Defined as the negative effect of events that are expected to occur.
- II. Measured in terms of consequences.
- III. Measured in terms of likelihood.

- A. I only
- B. I, II, and III.
- C. I and II only
- D. II and III only

Answer: D (LEAVE A REPLY)

NEW QUESTION: 14

After being terminated due to downsizing, an internal auditor finds a different job with an organization in the same industry. Which of the following actions would violate the IIA Code of Ethics?

- A.** To determine audit priorities in the new job, the auditor uses the audit risk approach that the auditor's previous employer used, without receiving permission to do so.
- B.** At the new organization, the auditor is asked to develop forms to implement probability-proportional-to-size sampling. Although unsure of how to perform this type of sampling, the auditor proceeds without asking for assistance.
- C.** In preparing for an audit at the previous organization, the auditor had conducted a great deal of research on the Internet at home to identify best practices for the management of a treasury function. The auditor has retained much of the research and uses it to conduct an audit of the new employer's treasury function.
- D.** In the first week at the new organization, the auditor discovers a high fraud risk surrounding the organization's database and suggests that the information technology department implement a new password system to prevent fraudulent actions before they occur.

Answer: B (LEAVE A REPLY)

Topic 6, Volume F

NEW QUESTION: 15

Which of the following situations would most likely result in the auditor in charge (AIC) recommending that the staff auditor further investigate non-compliant items?

- A.** A staff auditor conducted a test of 25 non-statistical sample items, selected judgmentally, and 5 are not in compliance with organizational policy.
- B.** A staff auditor conducted a test of statistical sample items, the results of which fall below the acceptable error rate by less than one percentage point.
- C.** Before the staff auditor conducted a test of statistical sample items, the AIC was already aware of underlying control weaknesses.
- D.** A staff auditor conducted a test of 85 non-statistical sample items, selected randomly, and 5 are not in compliance with organizational policy.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 16

While attending a conference, an internal auditor won an all-expense paid trip sponsored by a vendor of the internal auditor's organization.

Which of the following actions are most appropriate for the auditor to take?

- A.** Consult with an immediate supervisor and notify the organization's audit committee.
- B.** Give the prize to a friend or family member and notify the organization's audit committee.
- C.** Consult with an immediate supervisor and review the organization's ethics policy.
- D.** Give the prize to a friend or family member and review the organization's ethics policy.

Answer: C (LEAVE A REPLY)

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NEW QUESTION: 17

After being terminated due to downsizing, an internal auditor finds a different job with an organization in the same industry. Which of the following actions would violate the IIA Code of Ethics?

- A.** In the first week at the new organization, the auditor discovers a high fraud risk surrounding the organization's database and suggests that the information technology department implement a new password system to prevent fraudulent actions before they occur.
- B.** In preparing for an audit at the previous organization, the auditor had conducted a great deal of research on the Internet at home to identify best practices for the management of a treasury function.

The auditor has retained much of the research and uses it to conduct an audit of the new employer's treasury function.

- C.** At the new organization, the auditor is asked to develop forms to implement probability-proportional-to- size sampling. Although unsure of how to perform this type of sampling, the auditor proceeds without asking for assistance.
- D.** To determine audit priorities in the new job, the auditor uses the audit risk approach that the auditor's previous employer used, without receiving permission to do so.

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

NEW QUESTION: 18

An internal audit manager of a furniture manufacturing organization is planning an audit of the procurement process for kiln-dried wood. The procurement department maintains six procurement officers to manage 24 different suppliers used by the organization.

Which of the following controls would best mitigate the risk of employees receiving kickbacks from suppliers?

- A.** The periodic rotation of procurement officers' assignments to supplier accounts.
- B.** A pre-award financial capacity analysis of suppliers.
- C.** An automated computer report, organized by supplier, of any invoices for the same amount.
- D.** Periodic inventories of kiln-dried wood at the organization's warehouse.

Answer: ([SHOW ANSWER](#))

Section: Volume E

NEW QUESTION: 19

A receiving department receives copies of purchase orders for use in identifying and recording inventory receipts.

The purchase orders list the name of the vendor and the quantities of the materials ordered.

A possible error that this system could allow is:

- A. Payment to unauthorized vendors.
- B. Payment for unauthorized purchases.
- C. Overpayment for partial deliveries.
- D. Delay in recording purchases.

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

Section: Volume C

NEW QUESTION: 20

For a bank handling large amounts of cash, which of the following types of control would be the most effective to use?

- A. Directive controls.
- B. Corrective controls.
- C. Detective controls.
- D. Preventive controls.

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

NEW QUESTION: 21

An internal auditor plans to use an analytical review to verify the correctness of various operating expenses in a division. The use of an analytical review as a verification technique would not be a preferred approach if.

- A. The auditor notes strong indicators of a specific fraud involving this account.
- B. The company has relatively stable operations which have not changed much over the past year.
- C. The auditor would like to identify large, unusual, or non-recurring transactions during the year.
- D. The operating expenses vary in relation to other operating expenses, but not in relation to revenue.

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

Section: Volume A

NEW QUESTION: 22

Which of the following is a key performance indicator for an internal audit function?

- A. Implementation of new audit computer software.
- B. Percent of required continuing education hours completed.
- C. Frequency of meetings with the board members.
- D. Audit expenditures compared to financial budgets.

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

NEW QUESTION: 23

According to IIA guidance, which of the following objectives of an assurance engagement for the organization's risk management process is valid?

- A. All risks have been identified and mitigated.
- B. Risks have been accurately analyzed and evaluated.
- C. All controls are both adequate and efficient.
- D. The board is appropriately addressing intolerable risks.

Answer: B (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 24

Which of the following statements describes a control failure that is not directly attributable to a customer billing application?

1. End users have raised a number of concerns regarding data integrity.
2. An untested program change is transferred from the test environment to production.
3. Purchase history does not reconcile with accounts receivable for some customers.
4. End user security is inadvertently granted to an unauthorized individual by management.

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

Answer: D (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 25

A tax consultancy agency retains sensitive personal information regarding its clients. Which of the following is a violation of acceptable privacy practices?

- A. The agency advises clients of their privacy rights before they commence business with the agency.
- B. Copies of printed client information not used by the agency are shredded.
- C. The agency only releases client information with management's approval.
- D. Employees share client information with coworkers with the permission of the client.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 26

The main reason to establish internal controls in an organization is to:

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

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

NEW QUESTION: 27

A chief audit executive would most likely use risk assessment for audit planning because it provides:

- A. A systematic process for assessing and integrating professional judgment about probable adverse conditions.
- B. A listing of potentially adverse effects on the organization.
- C. A list of auditable activities in the organization.
- D. The probability that an event or action may adversely affect the organization.

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

NEW QUESTION: 28

Which of the following is an appropriate consideration by the auditor when preparing an engagement program for a human resource audit?

- A. State the work steps in the form of questions.
- B. Use standard audit program for HR from previous years.
- C. Include in the audit program certain audit tests requested by audit client.
- D. Defer preparation of the audit program after the field work.

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

Section: Volume A

NEW QUESTION: 29

Which of the following activities would be most likely to impair the objectivity of an internal auditor?

- A. Benchmarking controls during the development of a new information systems application.
- B. Developing recommended controls for the use of a new information systems application.
- C. Performing reviews of procedures for a new information systems application before it is installed.
- D. Assisting with the development and installation of a new information systems application.

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

NEW QUESTION: 30

Why is the concept of residual risk important?

- A. Because residual risk is difficult to measure.
- B. Because the risk that remains after control design and implementation needs to be acceptable to senior management.
- C. Because residual risk is all of the risk that remains after controls are established.
- D. Because the cost-benefit analysis supporting control design is part of the measure of residual risk.

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

NEW QUESTION: 31

According to IIA guidance, the results of a formal quality assessment should be reported to which of the following groups?

- A. Senior management and the external auditors.
- B. The audit committee and the external auditors.
- C. Senior management and management of the audited area.
- D. The audit committee and senior management.

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 32

Which of the following actions would be a violation of the IIA Code of Ethics?

- A. Excluding an issue in the final audit report after management has resolved the issue.
- B. Reporting information that could be damaging to the organization, at the request of a court of law.
- C. Failing to return a free promotional pen to a vendor related to the audit activity.
- D. Declining an audit engagement for which the auditor does not have the necessary experience or training.

Answer: ([SHOW ANSWER](#))

Section: Volume D

Explanation

NEW QUESTION: 33

One of an organization's quality objectives is to reduce the amount of rework needed in the production cycle.

Which of the following controls would be the least effective in achieving this objective?

- A. Daily reconciliations are performed between finished goods and the number of rejects.
- B. Quality inspectors are assigned to identify any defects in the finished product.
- C. Machinery is routinely maintained to avoid production malfunctions.
- D. Employees are rewarded for suggestions that lead to quality improvements.

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

NEW QUESTION: 34

When reviewing management reports to the board of directors, the internal audit activity should:

- A. Maintain supporting documentation for the management reports.
- B. Evaluate the process used to prepare the management reports.
- C. Tie all financial numbers in the reports to the general ledger.
- D. Compare to prior-period reports for consistency.

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

NEW QUESTION: 35

The chief audit executive needs to revise the internal audit activity's (IAA) charter. The revision must address the element of authority.

Which of the following statements meets this requirement?

- A. The IAA shall deliver an initial report of its findings to the organization's board within 120 days of the beginning of the engagement.
- B. The IAA shall identify and assess all potential risks to the operations of the organization.
- C. Following its assessment, the IAA shall recommend risk control processes and resource management strategies.
- D. The IAA shall be granted access to all records relevant to the performance of its duties.

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

NEW QUESTION: 36

An internal auditor prepared a workpaper that consisted of a list of employee names and identification numbers as well as the following statement:

"A statistical sample of 40 employee personnel files was selected to verify that they contain all documents required by company policy 501 (copy attached). No exceptions were noted." The auditor did not place any audit verification symbols on this workpaper.

Which of the following changes would most improve the auditor's workpaper?

- A. Removal of the employee names to protect their confidentiality.
- B. Justification for the sample size.
- C. Use of audit verification symbols to show that each file was examined.
- D. Listing of the actual documents examined for each employee.

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

NEW QUESTION: 37

While performing an internal audit engagement, an auditor reviews a flowchart of the organization's purchasing function. Which of the following internal control weaknesses would the auditor be able to identify in the chart?

- A. That authorization for payment of goods received has not been granted at the appropriate level.
- B. That supplier invoices are processed and paid before the goods are received.

- C. That the organization is not taking advantage of quantity discounts available from its suppliers.
- D. That purchasing policies have not been updated.

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

NEW QUESTION: 38

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

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

NEW QUESTION: 39

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

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

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

Section: Volume A

Explanation

NEW QUESTION: 40

The chief audit executive (CAE) has been asked to manage the regulatory compliance function for the organization's retail store operations. Store operations are included in the annual audit plan.

Which of the following strategies best fulfills the requirements of the Standards regarding these audits?

- A. A store operations compliance audit should be performed by a staff internal auditor under the direction of the CAE.
- B. Store operations audits can be fully executed with appropriate disclosure to the board.
- C. The scope of store operations audits should exclude compliance.
- D. Store operations audits should be performed by an external service provider.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 41

To promote a positive image within an organization, a chief audit executive (CAE) adjusted the audit plan to focus on assurance engagements that highlighted potential costs to be saved.

Negative observations were to be omitted from engagement final communications. Which action taken by the CAE would be considered a violation of the Standards?

- I. The focus of the audit function was changed without modifying the audit charter or notifying the audit committee.
 - II. Negative observations were omitted from the engagement final communications.
 - III. Cost savings and recommendations were highlighted in the engagement final communications.
- A. I and II only
 - B. II only
 - C. I, II, and III.
 - D. I and III only

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

NEW QUESTION: 42

The audit committee has asked the chief audit executive (CAE) to assist in the selection of a new external audit firm. Which of the following is an appropriate action by the CAE?

- A. The CAE develops a formal set of criteria for the audit committee to use in selecting the external auditor.
- B. The CAE declines to participate in the process because providing this assistance would result in compromising the internal audit activity's objectivity.
- C. The CAE and two managers from the audit staff review the bids and select one firm to meet with the audit committee for the committee's approval.
- D. The CAE, chief financial officer, and controller review the bids, interview two firms, and recommend one of the two firms to the audit committee for its approval.

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

NEW QUESTION: 43

In an assurance engagement of treasury operations, an internal auditor is required to consider all of the following issues except:

- A. The audit committee has requested assurance on the treasury department's compliance with a new policy on the use of financial instruments.
- B. Due to the recent sale of a division, the amount of cash and marketable securities managed by the treasury department has increased by 350 percent.
- C. The external auditors have indicated some difficulties in obtaining account confirmations.
- D. Treasury management has not instituted any risk management policies.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 44

While attending a conference, an internal auditor won an all-expense paid trip sponsored by a vendor of the internal auditor's organization.

Which of the following actions are most appropriate for the auditor to take?

- A. Consult with an immediate supervisor and notify the organization's audit committee.
- B. Consult with an immediate supervisor and review the organization's ethics policy.
- C. Give the prize to a friend or family member and notify the organization's audit committee.
- D. Give the prize to a friend or family member and review the organization's ethics policy.

Answer: B (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 45

What conclusion can be reached by comparing a random sample of vendor invoices to purchase orders?

- A. Invoices were for authorized purchases.
- B. No duplicate invoices were received.
- C. Authorized invoices were paid.
- D. No duplicate payments were made.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 46

Which of the following components influences the risk consciousness of an organization's people and is the basis for all other components of enterprise risk management?

- A. Information and Communication.
- B. Internal Environment.
- C. Risk Assessment.
- D. Objective setting.

Answer: B (LEAVE A REPLY)

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NEW QUESTION: 47

Which of the following is correct regarding the implementation of a quality assurance and improvement program for the internal audit function?

- A. An internal audit function that is fully complying with internal assessment of quality can confidently claim it is performing in conformity with the International Professional Practices Framework.

- B.** The board has the primary responsibility for implementation of a robust quality assurance and improvement program for internal audit.
- C.** The chief audit executive can establish a formal quality assurance and improvement program that is led by an audit manager.
- D.** A quality assurance and improvement program is applicable depending on the size and complexity of the audit function.

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

NEW QUESTION: 48

Which of the following is a component of the internal audit value proposition endorsed by IIA guidance?

- A.** Insight.
- B.** Independence.
- C.** Integrity.
- D.** Competency.

Answer: (SHOW ANSWER)

Section: Volume D

NEW QUESTION: 49

Auditors 1, 2, and 3 work out of various offices. Each must be assigned to one, and only one, of three audit locations (A, B, or C). The cost of sending each auditor to each location is listed below:

Audit Locations

Auditor 1

- A
- B
- C

Auditor 2

- \$200
- \$300
- \$400

Auditor 3

- \$400
- \$300
- \$600

Auditor 4

- \$200
- \$200
- \$500

The minimum cost with which this assignment can be accomplished is:

- A.** \$800

- B. \$900
- C. \$1, 000
- D. \$1, 100

Answer: B (LEAVE A REPLY)

Section: Volume A

NEW QUESTION: 50

An internal auditor finds during an engagement that payment for the organization's general insurance policy is two months overdue. The issue is informally mentioned to the finance department which immediately submits the invoice for payment. The auditor decides to exclude this finding from the final audit report as the oversight was immediately corrected and there were no consequences because of this late payment.

Which of the following rules of conduct as described in the IIA Code of Ethics, did the auditor fail to uphold?

- A. Integrity.
- B. Objectivity.
- C. Competency.
- D. Confidentiality.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 51

Which of the following statements regarding segregation of duties is true?

- A. A restrictive segregation-of-duties policy can help improve an organization's communication.
- B. When evaluating an organization's policy on segregation of duties, employee competence does not need to be considered.
- C. An organizational chart provides an accurate definition of segregation of duties.
- D. Policies on segregation of duties in information systems must recognize the difference between logical and physical access to assets.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 52

An internal auditor is using mean-per-unit sampling to estimate the value of health benefit claims for a period. The auditor's desired precision is \$20,000. If the achieved precision is \$10,000, which of the following conditions is implied?

- A. The value of claims is understated.
- B. The standard deviation is smaller than expected.
- C. The value of claims is overstated.
- D. The standard deviation is larger than expected.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 53

According to IIA guidance, which of the following statements is true regarding the reporting of results from a quality assurance and improvement program review of the internal audit activity?

- A. A report on the results of the assessment is issued upon completion, and progress on implementing recommended improvements must be reported monthly.
- B. The results are reported upon completion in confidence directly to the board, and management is advised only of the recommendations and improvement action plans.
- C. The results are shared with the board and management upon completion, and monitoring of recommended improvements must be reported at least annually.
- D. The results are communicated upon completion to the board and management, but action plans for recommended improvements do not have to be reported.

Answer: C (LEAVE A REPLY)

Section: Volume D

NEW QUESTION: 54

Which of the following would provide the best guidance to a chief audit executive who is setting internal audit staff requirements?

- A. A review of audit staff education and training records.
- B. Information about the audit staff size and composition of comparable organizations.
- C. Results from discussions of audit needs with executive management and the audit committee.
- D. The results of the audit staff's most recent performance reviews.

Answer: C (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 55

Which of the following would most likely function as a detective control?

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

Answer: (SHOW ANSWER)

Section: Volume C

NEW QUESTION: 56

Which of the following would not be a factor for senior management to consider when determining the internal audit activity's role in an organization's risk management process?

- A. The extent to which the internal audit activity is outsourced.
- B. The maturity level of risk management practices in the organization.
- C. The competency of the internal auditors in risk management.
- D. The nature of the business and the environment in which the organization operates.

Answer: A (LEAVE A REPLY)

Section: Volume A

NEW QUESTION: 57

An auditor plans to analyze customer satisfaction, including: (1) customer complaints recorded by the customer service department during the last three months; (2) merchandise returned in the last three months; and (3) responses to a survey of customers who made purchases in the last three months. Which of the following statements regarding this audit approach is correct?

- A. The survey would not consider customers who did not make purchases in the last three months.
- B. Steps 1 and 2 of the analysis are not necessary or cost-effective if the customer survey is comprehensive.
- C. Analysis of three months' activity would not evaluate customer satisfaction.
- D. Although useful, such an analysis does not address any risk factors.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 58

Which of the following should an internal auditor possess in order to fulfill the responsibilities of the internal audit activity?

- A. Proficiency in applying management principles in order to stand in for the chief financial officer.
- B. An understanding of management principles in order to evaluate deviations from good practices.
- C. An appreciation of internal audit standards in order to recognize problems.
- D. Proficiency in accounting principles in order to conduct fraud investigations.

Answer: B (LEAVE A REPLY)

Section: Volume C

NEW QUESTION: 59

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

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

Answer: D (LEAVE A REPLY)

NEW QUESTION: 60

Internal auditors must exercise due professional care by considering which of the following?

1. Cost of assurance in relation to potential benefits.
2. Adequacy and effectiveness of governance, risk management, and control processes.

- 3.Management's competency level in the area being evaluated.
4.Probability of significant errors,fraud,or noncompliance.
- A. 1,2,and 4 only
 - B. 1 and 2 only
 - C. 2,3,and 4 only
 - D. 1,2,and 3 only

Answer: A (LEAVE A REPLY)

NEW QUESTION: 61

Which of the following factors affects the control risk of a company?

- A. Unusual pressures on management.
- B. Segregation of duties.
- C. Complex accounts that require expert valuations.
- D. Potential problems like technological obsolescence.

Answer: (SHOW ANSWER)

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NEW QUESTION: 62

Which of the following should be incorporated in a risk management policy?

- I. Boundaries and limit structures.
 - II. Requirements for reporting risk.
 - III. Risk authorities.
- A. I and III only
 - B. I, II, and III.
 - C. I and II only
 - D. II and III only

Answer: B (LEAVE A REPLY)

NEW QUESTION: 63

A multinational organization has asked the internal audit activity to assist in setting up the organization's risk management system. The chief audit executive (CAE) agrees to take on the engagement as a consultant. Which of the following tasks is appropriate for the CAE to undertake?

- A. Establish the degree of risk appetite for management to accept.
- B. Determine the number of significant risks for management to report to the board.
- C. Set risk indicators and mitigation plans for management to implement.
- D. Coordinate and facilitate risk workshops for management to attend.

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

NEW QUESTION: 64

Which of the following would most likely be considered a red flag for fraud?

- A. An employee in charge of payroll disbursements has rotated these duties with several colleagues.
- B. An organization lacks a whistleblower hotline for reporting suspicious activity.
- C. An employee with significant personal debt is in charge of handling large wire transfers for the organization.
- D. A senior manager has been delegating the authority to sign-off on small dollar amount purchases to a subordinate.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 65

The chief audit executive (CAE) of a mid-sized pharmaceutical organization has operational responsibility for the regulatory compliance function. The audit committee requests an assessment of regulatory compliance.

According to IIA guidance, which of the following is the CAE's best course of action?

- A. Have a proficient internal audit staff member perform the assessment and disclose the impairment in the audit report and to the board.
- B. Have a regulatory compliance staff member perform a self-assessment, to be reviewed by a proficient internal auditor.
- C. Have a proficient internal audit staff member perform the audit and report the results of the assessment directly to senior management and the board.
- D. Contract with a third-party entity or external auditor to complete the assessment and report the results to senior management and the board.

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

Section: Volume E

NEW QUESTION: 66

Which of the following does not need to be defined in the internal audit charter?

- A. The audit engagements to be performed during the upcoming year.
- B. The scope of internal audit activities.
- C. The internal audit activity's position within the organization.
- D. Management and the board of directors' agreement regarding the roles and responsibilities of the internal audit activity.

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

NEW QUESTION: 67

Which of the following would be the most effective action for an internal audit activity to take in order to assist in improving an organization's ethical climate?

- I. Review formal and informal processes within the organization that could promote unethical behavior.
- II. Conduct surveys of employees, suppliers, and customers regarding ethics.
- III. Assess the employees' knowledge of and compliance with the organization's code of conduct.

- A. I only
- B. I and II only
- C. II and III only
- D. I, II, and III.

Answer: D (LEAVE A REPLY)

Section: Volume B

Explanation/Reference:

NEW QUESTION: 68

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

Answer: D (LEAVE A REPLY)

NEW QUESTION: 69

An organization's sales professionals are potentially abusing the use of cellular phones, resulting in an alarming increase in telephone expenses. Which of the following controls is least likely to curb this abuse?

- A. Requiring sales managers to approve monthly bills prior to payment, explain budget variances, and explain increases from previous periods.
- B. Developing periodic reports to management that show type, length, and number of calls per sales professional, with related totals and comparisons.
- C. Requiring authorization of the cellular phone bill payment by the manager of the telecommunications department.
- D. Requiring sales professionals to pay monthly cellular phone bills and subsequently submit only business calls for reimbursement using an expense report process.

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

NEW QUESTION: 70

Which of the following is not an appropriate role of the internal audit activity in governance activities?

- A. Support the board in enterprise-wide risk assessment.
- B. Discuss areas of significant risk.
- C. Monitor compliance with the organization's ethics policies.
- D. Ensure the timely implementation of audit recommendations.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 71

Company A has a formal comprehensive corporate code of ethics while company B does not. Which of the following statements regarding the existence of the code of ethics in company A can be logically inferred?

- 1. Company A exhibits a higher standard of ethical behavior than does company B.
 - 2. Company A has established objective criteria by which an employee's actions can be evaluated.
 - 3. The absence of a formal corporate code of ethics in company B would prevent a successful audit of ethical behavior in that company.
- A. 3 only
 - B. 1 and 2 only
 - C. 2 and 3 only
 - D. 2 only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 72

A chief audit executive (CAE) is obtaining information required by a regulatory oversight body and discovers a situation that requires management to take immediate corrective action. What is the best course of action for the CAE to take?

- A. Check with legal counsel to determine whether the situation can be reported to management before all information has been submitted to the oversight body.
- B. Schedule an engagement to explore the situation in depth, before reporting to either management or the oversight body.
- C. Report the situation to management immediately.
- D. Wait until all of the information has been gathered and reported to the oversight body before reporting the situation to management.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 73

Which of the following actions would be considered a violation of the Standards?

- I. Drafts of engagement communications were reviewed with the audit client to obtain input. The client's comments were considered when developing the engagement final communication.
- II. An auditor participated as part of a development team to review the control procedures to be incorporated into a major computer application under development.
- III. Given limited resources, the chief audit executive performed a risk analysis to determine which functions to audit.
- A.** I and III only
- B.** I, II, and III.
- C.** II only
- D.** None of the above.

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

NEW QUESTION: 74

To enhance the independence of both the internal and external audit functions, audit committees should be composed of:

- A.** A rotating subcommittee of the board of directors or its equivalent.
- B.** A combination of external members of the board of directors and company officers.
- C.** Members from all important constituencies, specifically including representatives from banking, labor, regulatory agencies, shareholders, and officers.
- D.** Only external members of the board of directors or other similar oversight committees.

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

Section: Volume B

Explanation

NEW QUESTION: 75

When planning the work program for an assurance engagement, an internal auditor should first review the department's business objectives and then:

- A.** Evaluate vulnerabilities.
- B.** Review controls.
- C.** Determine scope.
- D.** Identify risks.

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

NEW QUESTION: 76

The best reason for separating the cash-receiving function from the related record-keeping function is to:

- A.** Provide accountability for cash received.
- B.** Segregate cash payments from cash receipts.
- C.** Minimize misappropriations in cash receipts.
- D.** Improve physical security over the cash-receiving function.

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

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NEW QUESTION: 77

Which of the following would most likely function as a detective control?

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

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

NEW QUESTION: 78

To assure that the technical proficiency of internal auditors is appropriate for the audit engagements to be performed, a chief audit executive should:

- A. Oversee a training program that matches the actual training provided with the interests of individual auditors.
- B. Ensure that each newly hired auditor is qualified in all of the disciplines needed to accomplish the department's audit mission.
- C. Consider the scope of work and level of responsibility when establishing criteria for education and experience in filling internal auditing positions.
- D. Require all of the audit staff to pursue a minimum number of continuing professional education hours each year.

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

NEW QUESTION: 79

A receiving department receives copies of purchase orders for use in identifying and recording inventory receipts. The purchase orders list the name of the vendor and the quantities of the materials ordered. A possible error that this system could allow is:

- A. Delay in recording purchases.
- B. Payment to unauthorized vendors.
- C. Overpayment for partial deliveries.
- D. Payment for unauthorized purchases.

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

NEW QUESTION: 80

Which of the following elements should an auditor recommend for inclusion in an organization's code of ethics?

- I. Ethics should vary with local customs in the organization's foreign operations.
- II. Whistle-blowing should be discouraged because it can cause distrust among employees and false accusations which waste organizational resources on investigations.
- III. Ethical behavior should not be incorporated into performance evaluations because it is too subjective and controversial.

- A. I, II, and III.
- B. I only
- C. None of the above.
- D. II only

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

NEW QUESTION: 81

Which of the following is least likely to enhance the independence of an internal audit activity?

- A. Adherence to the organization's position classification structure.
- B. The existence of a formal written charter for the internal audit activity.
- C. A direct reporting relationship to the audit committee.
- D. Submission of an annual internal audit work plan to the audit committee.

Answer: (SHOW ANSWER)

NEW QUESTION: 82

Which of the following definitions best describes enterprise risk management?

- A. Enterprise risk management is broader than governance and internal control, and focuses on activities designed to ensure that risks are contained at a level acceptable to the enterprise.
- B. Enterprise risk management is broader than internal control and focuses on risk identification and management, and assurance that business objectives will be met.
- C. Enterprise risk management is narrower than internal control and focuses on managing the risk of loss resulting from external events.
- D. Enterprise risk management is narrower than internal control and focuses on risk mitigation strategies across the enterprise.

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

NEW QUESTION: 83

COBIT is primarily designed to:

- A. Provide guidance to govern information technology activities.
- B. Assist technology professionals in interpreting technological specifications.
- C. Define auditing standards for information technology auditors.
- D. Satisfy information technology regulatory requirements.

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

NEW QUESTION: 84

Which of the following is the most common method of fraud detection?

- A. Unannounced audits or reviews of programs or departments.
- B. Detective controls built into the daily processes.
- C. Tips received from employees or citizens.
- D. Analytical reviews of high-risk areas.

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

NEW QUESTION: 85

According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?

- A. To enable Triple Bottom Line reporting capability.
- B. To achieve and maintain sustainable development.
- C. To facilitate the conduct of risk assessment.
- D. To fulfill regulatory and compliance requirements.

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

NEW QUESTION: 86

Which of the following is an example of a preventive control activity for risk related to pollution caused by waste disposal?

- A. Offering an education program delivered by environmental experts.
- B. Maintaining strict security around environmental department files.
- C. Seeking legal consultation from a firm with experience in environmental law.
- D. Taking periodic samples of the area at risk and logging the results.

Answer: ([SHOW ANSWER](#))

Section: Volume D

NEW QUESTION: 87

Which of the following best contributes to the effectiveness of the internal audit activity in an organization?

- A. Appropriate terms of internal audit scope and responsibility in the charter.
- B. Appropriate compliance coverage in the annual audit plan.
- C. Regular review of the audit charter by management.
- D. Assurance of internal audit objectivity by the board.

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

NEW QUESTION: 88

An engagement manager is reviewing the results of sampling work performed by staff internal auditors.

Which interim report statement should immediately give the engagement manager cause for concern about the nature and quality of the sampling procedure?

- A. The acceptable risk of assessing control risk too low is 5%, the tolerable deviation rate is 5%, the expected population deviation rate is 5%, the sample size is 1580.
- B. The acceptable risk of assessing control risk too low is 10%, the tolerable deviation rate is 5%, the true, but unknown population rate is less than 5%, the achieved upper deviation limit is 4.8%.
- C. The acceptable risk of assessing control risk too low is 10%, the tolerable deviation rate is 5%, the expected population deviation rate is 1%, sample size is 80 out of a large population.
- D. The acceptable risk of assessing control risk too low is 5%, the tolerable deviation rate is 5%, the expected population deviation rate is 1%, the confidence expressed is 95%.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 89

Which of the following risk management activities is most appropriate for an internal auditor to undertake?

- A. Review the management of key risks.
- B. Impose risk management processes.
- C. Coordinate risk management activities.
- D. Implement risk responses on management's behalf.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 90

An internal auditor used a questionnaire during an interview to gather information about the nature of credit sales processing. The questionnaire did not cover some pertinent information offered by the person being interviewed, and the auditor did not document the potential problems for further investigation. The primary deficiency with the above process is that:

- A. The engagement program was incomplete.
- B. The auditor failed to consider the importance of the information offered.
- C. A questionnaire was used in a situation where a structured interview should have been used.
- D. The use of a questionnaire precluded the auditor from documenting other information.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 91

A retail sales company has discontinued a product that normally sold for \$100. During the first month of a sale of the product, a 20 percent discount was given. Later that sale price was reduced by an additional 40 percent.

What was the overall discount from the original selling price?

- A. 60 percent.
- B. 52 percent.
- C. 48 percent.
- D. 30 percent.

Answer: (SHOW ANSWER)

Section: Volume C

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NEW QUESTION: 92

Which of the following is not an appropriate role for internal auditors after a disaster occurs?

- A. Recommend future improvements to the entity's business continuity plan.
- B. Assist in the identification of lessons learned from the disaster and the recovery operations.
- C. Monitor the effectiveness of the recovery and control of operations.
- D. Correct deficiencies of the entity's business continuity plan.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 93

Which of the following actions would compromise an internal auditor's objectivity?

- A. Preparing bank reconciliations.
- B. Reviewing procedures before they are implemented.
- C. Auditing an activity for which the auditor had responsibility two years ago.
- D. Receiving a promotional pen from a supply available to all employees.

Answer: A (LEAVE A REPLY)

Section: Volume D

NEW QUESTION: 94

According to IIA guidance, which of the following statements is correct concerning the knowledge, skills, and competencies required to fulfill the responsibilities of the internal audit activity (IAA)?

- A. The competencies of external service providers must be assessed by the chief audit executive before the IAA can use external service providers' work.
- B. Each internal auditor in the IAA must possess the competencies required to detect and investigate fraudulent transactions.
- C. The IAA must not decline any engagement based solely on a lack the necessary knowledge, skills, and competencies to perform it.
- D. The IAA must collectively possess the knowledge, skills, and competencies needed to perform all engagements.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 95

An engagement manager is reviewing the results of sampling work performed by staff internal auditors. Which interim report statement should immediately give the engagement manager cause for concern about the nature and quality of the sampling procedure?

- A.** The acceptable risk of assessing control risk too low is 5%, the tolerable deviation rate is 5%, the expected population deviation rate is 1%, the confidence expressed is 95%.
- B.** The acceptable risk of assessing control risk too low is 10%, the tolerable deviation rate is 5%, the true, but unknown population rate is less than 5%, the achieved upper deviation limit is 4.8%.
- C.** The acceptable risk of assessing control risk too low is 10%, the tolerable deviation rate is 5%, the expected population deviation rate is 1%, sample size is 80 out of a large population.
- D.** The acceptable risk of assessing control risk too low is 5%, the tolerable deviation rate is 5%, the expected population deviation rate is 5%, the sample size is 1580.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 96

According to the International Professional Practices Framework, a review team must express an opinion on which of the following when performing an external assessment of an internal audit activity?

I. Conformance with the Standards and IIA Code of Ethics.

II.

Effectiveness of continuous improvement activities.

III.

Feedback from internal audit customers and other stakeholder groups.

IV.

Efficiency and effectiveness of the internal audit activity's administration processes.

- A.** I only.
- B.** II and IV only.
- C.** I and II only.
- D.** III only.

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

NEW QUESTION: 97

Some of an organization's payroll transactions were batch posted to the payroll file but were not uploaded correctly to the general ledger file on the mainframe. The best control to detect this type of error would be:

- A.** Edit controls on the payroll file.
- B.** Appropriate segregation of duties for batch approval.
- C.** Validation of hash totals.
- D.** Reconciliation of paychecks to the bank account.

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

NEW QUESTION: 98

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. Higher inventory turnover.
- C. Higher operating margin.
- D. Lower obsolete stock disposal.

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

NEW QUESTION: 99

Which of the following is not a benefit of using information technology in solving audit problems?

- A. It helps reduce audit risk.
- B. It increases audit opportunities.
- C. It improves the auditor's judgment.
- D. It improves the timeliness of the audit engagement.

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

NEW QUESTION: 100

A high-volume retailer of consumer goods has used point-of-sale data to record sales and update inventory records for several years. When price changes are scheduled, corporate headquarters downloads a price change file to a computer server system at each store. Each store's assistant manager is responsible for checking the server for downloads and running the program that updates the store's price file at the authorized price update time. In comparison with having headquarters initiate the price update centrally, this approach to price updating will most likely:

- A. Decrease the risk that item prices will sometimes be inaccurate.
- B. Increase the risk that customers will be undercharged consistently for sales items.
- C. Increase the risk that item prices will sometimes be inaccurate.
- D. Decrease the risk that customers will be undercharged consistently for sales items.

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

NEW QUESTION: 101

When developing an effective risk-based plan to determine audit priorities, an internal audit activity should start by:

- A. Identifying risks to the organization's operations.
- B. Observing and analyzing controls.
- C. Prioritizing known risks.
- D. Reviewing organizational objectives.

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

NEW QUESTION: 102

In preparing for an audit of the footwear division of a major retail organization, an internal auditor gathered the following information about the organization's stores:

	All Stores	Northeast Region	Southwest Region	Central Region
Average sales per store	\$736,000	\$840,000	\$760,000	\$630,000
Average cost of goods sold per store	\$375,000	\$420,000	\$325,000	\$395,000
Number of stores	48	13	18	17
Average square feet per store	1800	2200	1850	1550
Average sales per full-time employee	\$137,000	\$152,000	\$140,000	\$122,000
Average wage-related expense per store	\$98,000	\$102,000	\$82,000	\$112,000
Average net profit per store	\$238,000	\$285,000	\$320,000	\$115,000

In addition to labor costs, the other costs associated with each store are leasing and maintenance expenses. Which of the following is a valid conclusion?

- A. Employees are less productive in larger stores.
- B. Sales per store are directly related to the size of the store.
- C. Gross margin is directly related to the size of the store.
- D. Cost of goods sold is directly related to the size of the store.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 103

Which of the following statements is not true?

- A. It is inappropriate for internal auditors to provide consulting services relating to operations for which they had previous responsibilities.
- B. A party outside the internal audit activity should oversee assurance engagements for functions over which the chief audit executive has responsibility.
- C. The nature of consulting services that are performed by the internal audit activity should be defined in the audit charter.
- D. The chief audit executive should decline a consulting engagement if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or a part of the engagement.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 104

Management should be included in the development of the audit plan in order to:

- A. Guarantee access to the organization's sites and records for audit work.
- B. Verify that the highest risks are included in the risk-based audit plan.

- C. Select the audit tests that will be used for each engagement.
- D. Provide assurance that past audit recommendations have been properly implemented.

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

NEW QUESTION: 105

According to the International Professional Practices Framework, internal auditors should possess which of the following competencies?

I. Proficiency in applying internal auditing standards, procedures, and techniques.

II.

Proficiency in accounting principles and techniques.

III.

An understanding of management principles.

IV.

An understanding of the fundamentals of economics, commercial law, taxation, finance, and quantitative methods.

A. I and III only.

B. I only.

C. II only.

D. I, III, and IV only.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 106

Which of the following are appropriate responsibilities of the audit committee in relation to the chief audit executive (CAE)?

Approving the internal audit charter.

Approving decisions regarding the appointment and removal of the CAE.

Approving the risk management strategy for the organization.

Making appropriate inquiries of management and the CAE to determine whether there are inappropriate scope and resource limitations.

A. 1, 2, and 3 only.

B. 1 and 2 only.

C. 2, 3, and 4 only.

D. 1, 2, and 4 only.

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

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NEW QUESTION: 107

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: 108

Which type of control is designed to directly mitigate internal and external risks at the organization wide level, furthering the achievement of many overall organizational objectives?

- A. Process-level control.
- B. Entity-level control.
- C. Transaction-level control.
- D. Complementary control.

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

Section: Volume D

NEW QUESTION: 109

Which of the following scenarios exemplifies a potential internal control weakness?

- A. The same employee who receives cash from customers prepares a prelisting of cash receipts.
- B. The same employee who records cash receipts in the accounts receivable subsidiary ledger ensures that the ledger automatically updates the information.
- C. The same employee who restrictively endorses checks received from customers prepares the bank's check deposit slips.
- D. The same employee who makes deposits at the bank prepares the monthly bank reconciliation.

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

Section: Volume E

NEW QUESTION: 110

When conducting a preliminary survey, which of the following audit activities should an internal auditor complete first?

- A. Write detailed audit procedures.
- B. Determine relevant engagement objectives.
- C. Identify risks and controls intended to prevent associated losses.
- D. Identify client objectives, goals, and standards.

Answer: [\(SHOW ANSWER\)](#)

NEW QUESTION: 111

Which of the following is the most appropriate outcome measure for assessing safety operations?

- A. Number of inspections conducted.
- B. Tests made of equipment.
- C. Number of operations observed.
- D. Reduction in machine down time due to accidents.

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

NEW QUESTION: 112

A retail sales company has discontinued a product that normally sold for \$100. During the first month of a sale of the product, a 20 percent discount was given. Later that sale price was reduced by an additional 40 percent. What was the overall discount from the original selling price?

- A. 48 percent.
- B. 60 percent.
- C. 52 percent.
- D. 30 percent.

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

NEW QUESTION: 113

Which source of audit evidence would provide the least value in flowcharting an organization's purchasing process?

- A. An interview with the purchasing supervisor.
- B. A review of a sample of purchase orders which were completed during the last month.
- C. A review of the purchasing policies and procedures manual.
- D. A walk-through of the process with a member of the purchasing staff.

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

Section: Volume A

NEW QUESTION: 114

Overall audit efficiency is enhanced between the internal and external audit functions when:

- A. The internal audit department reviews functions or departments prior to the external audit.
- B. External audit scope is reduced based on the internal audit department's activities.

C. Audits of the same department are conducted at different times.

D. Internal audit coverage is reduced to avoid potential conflicts of interest.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 115

Auditors 1,2,and 3 work out of various offices. Each must be assigned to one,and only one,of three audit locations (A,B,or C). The cost of sending each auditor to each location is listed below:

Audit Locations

Auditor 1 A B

Auditor 2 \$200 \$300 \$400

Auditor 3 \$400 \$300 \$600

Auditor 4 \$200 \$200 \$500

The minimum cost with which this assignment can be accomplished is:

A. \$1,100

B. \$800

C. \$1,000

D. \$900

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

NEW QUESTION: 116

Risk assessments can vary in format, but generally include.

I. A description of identified risks.

II. Tests of audit controls.

III. A system of rating risks.

IV. Sample size identification.

A. I, III, and IV only

B. I and II only

C. I and III only

D. II, III, and IV only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 117

The chief audit executive should periodically report the internal audit activity's purpose, authority, responsibility, and performance, as well as significant risk exposures and control issues, to which of the following?

I.Board of directors.

II.

Senior management.

III.

Shareholders.

IV.

- A. I and II only.
 - B. I, II, and III only.
 - C. I, III, and IV only.
- External auditors.
- D. II only.

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

NEW QUESTION: 118

A code of business conduct provides?

- A. An alternative to "tone at the top" programs.
- B. A passive method of fraud deterrence.
- C. A program to anonymously report irregularities to authorities.
- D. A fraud avoidance plan that does not explicitly describe punishments for violations.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 119

A dental insurance provider has implemented an electronic claim submission process and is concerned that dentists are submitting claims for services that were not provided. Which of the following control procedures would be most effective in preventing this type of fraud?

- A. Send confirmations to the dentists requesting them to confirm the exact nature of the claims submitted to the insurance provider.
- B. Develop an integrated test facility and submit false claims to verify that the system is detecting such claims on a consistent basis.
- C. Require all submitted claims to be followed by a signed statement by the dentist testifying to the fact that the claimed procedures were performed.
- D. Develop a program that identifies procedures performed on an individual which are either in excess of expectations based on the age of the insured or are similar to other procedures recently performed on the individual.

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

NEW QUESTION: 120

Which of the following topics would a chief audit executive most likely include with their report to the board?

- A. A recent management hire to oversee labor concerns.
- B. The status of labor contract negotiations at the largest manufacturing plant.
- C. A significant level of senior management turnover throughout the organization.
- D. Analyses of recent increases in overtime.

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

NEW QUESTION: 121

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

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

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 122

Which of the following best describes the trait that an internal auditor exercises when considering the extent of work needed to achieve the engagement's objectives?

- A. Independence.
- B. Proficiency.
- C. Due professional care.
- D. Objectivity.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 123

Which of the following items of evidence is most valid to support a finding that a public utility's repair crews are sometimes required to work under unsafe conditions?

- A. Videotapes of repair crews working in a situation that is unsafe.
- B. Audio taped testimonials from repair crew members who were required to work under unsafe conditions.
- C. Written and signed descriptions from repair crew members of the unsafe conditions that they have had to endure.
- D. Reports showing increases in the number of days of sick leave for individuals on repair crews.

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

NEW QUESTION: 124

Which of the following statements best explains why internal auditors map processes?

1. To obtain audit evidence to support auditor's observations.
2. To determine scope and objectives of the audit.
3. To facilitate the identification of ownership and responsibility for key risks.
4. To identify potential efficiency improvements.

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

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

NEW QUESTION: 125

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

- A. Internal auditor integrity enables users of internal auditors' work to make important business decisions.
- B. Internal auditor integrity enables the internal auditor to avoid being challenged by any party in the organization.
- 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: ([SHOW ANSWER](#))

NEW QUESTION: 126

A chief audit executive (CAE) is selecting an internal audit team to perform an audit engagement that requires a high level of knowledge in the areas of finance, investment portfolio management, and taxation. If neither the CAE nor the existing internal audit staff possess the required knowledge, which of the following actions should the CAE take?

- A. Hire consultants who possess the required knowledge to perform the engagement.
- B. Select the most experienced auditors in the department to perform the engagement.
- C. Postpone the audit until the CAE hires internal audit staff with the required knowledge.
- D. Ask the audit committee to decide the course of action.

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

NEW QUESTION: 127

An internal audit activity (IAA) provided assurance services for an activity it was responsible for during the preceding year.

As a result, which IIA Code of Ethics principle is presumed to be impaired?

- A. Flexibility.
- B. Competence.
- C. Independence.
- D. Objectivity.

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

NEW QUESTION: 128

Feedback on engagements from audit clients, annual benchmarking of the internal audit activity's (IAA's) performance against best practice, and analyses of project budgets and audit plan completion are all tools that can best be used by the IAA for which purpose?

- A. Completing internal assessments.
- B. Determining the level of residual risk.
- C. Identifying conflicts of interest.
- D. Developing control processes.

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

Section: Volume D

Explanation/Reference:

NEW QUESTION: 129

An internal quality assessment of the internal audit activity should provide the chief audit executive with:

- A. Recommendations for improvement.
- B. Objectives for internal audit engagements.
- C. Confirmation of action on past audit recommendations.
- D. Appraisals of internal audit staff performance.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 130

Which of the following is a benefit from reduced testing during a particular phase of an audit engagement?

- A. There is less concern about assessing inherent risk.
- B. Additional audit hours are available for pursuing other engagement objectives.
- C. The level of planned audit risk is lowered.
- D. The size of the internal audit activity can be reduced.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 131

An employee who recently transferred into the internal audit activity has been assigned to audit the accounts payable system. Which function, if previously performed by this employee, would represent a conflict of interest?

- A. Reviewing shipping documents for accuracy.
- B. Monitoring the allowance for doubtful accounts.
- C. Writing procedures for the handling of duplicate payments.
- D. Signing timekeeping cards for subordinates.

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

NEW QUESTION: 132

An internal audit activity (IAA) provided assurance services for an activity it was responsible for during the preceding year.

As a result, which IIA Code of Ethics principle is presumed to be impaired?

- A. Flexibility.
- B. Competence.
- C. Objectivity.
- D. Independence.

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

NEW QUESTION: 133

During a payroll audit of a large organization, an auditor noted that the assistant personnel director is responsible for many aspects of the computerized payroll system, including adding new employees in the system; entering direct-deposit information for employees; approving and entering all payroll changes; and providing training for system users. After discussions with the director of personnel, the auditor concluded that the director was not comfortable dealing with information technology issues and felt obliged to support all actions taken by the assistant director. The auditor should.

- A. Test a sample of payroll changes to ensure that they were approved by the assistant director before being processed.
- B. Continue to follow the engagement program because the engagement scope and objectives have already been discussed with management.
- C. Review the engagement program to ensure testing of direct deposits to employee bank accounts is adequately covered.
- D. Recommend to the chief audit executive that a fraud investigation be started.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 134

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](#))

Section: Volume F

NEW QUESTION: 135

If earnings on financial statements for internal use only have been manipulated in the past, an internal auditor is likely to focus on which of the following?

- A. Whether accounting estimates are reasonable given past actual results.
- B. The proper accrual of payables at the end of the interim period.
- C. Whether there have been changes in accounting principles that materially affect the financial statements.
- D. The timing of revenue recognition and the valuation of inventories.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 136

When an internal auditor applies due professional care to perform an assurance engagement, which of the following must she consider?

1. Findings of the last audit engagement performed.
2. Probability of significant errors, irregularities, or noncompliance.
3. Extent of work needed to achieve engagement objectives.
4. Cost of the engagement versus the potential benefits.

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

Answer: (SHOW ANSWER)

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NEW QUESTION: 137

An internal auditor for a large bank is reviewing the collectability of a loan that is secured by real property. The best evidence of the loan's collectability would be:

- A. A recent independent appraisal of the value of the real property.
- B. A document showing the loan committee's approval of the loan.
- C. The borrower's confirmation of the loan balance.
- D. A properly completed and signed loan application form.

Answer: A (LEAVE A REPLY)

Section: Volume C

NEW QUESTION: 138

Which of the following techniques would provide the most compelling evidence that a safety hazard exists within a manufacturing facility?

- A. Analysis of facility operating reports, focusing on instances when breakdowns occurred.
- B. Review of records involving safety violations, filed by facility production employees.
- C. Observation of the facility during operations.
- D. Questioning of facility management, including the facility safety officer.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 139

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

- I. 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.
- II. Compensation systems are not part of an organization's control system and should not be reported as such.
- III. 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.

- A. I only
- B. II only
- C. III only
- D. II and III only

Answer: ([SHOW ANSWER](#))

Section: Volume B

NEW QUESTION: 140

Which of the following best describes the assessment of risks?

- A. Assess the actions necessary to reduce the likelihood and/or impact of risk to tolerable levels.
- B. Assess the likelihood and/or impact of risk on the achievement of organizational objectives.
- C. Assess the amount of risk an organization can accept while pursuing its objectives.
- D. Assess alternative strategies to reduce or eliminate major risks.

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

Section: Volume E

NEW QUESTION: 141

Risk within an internal audit engagement is defined as the:

- A. Failure to adhere to organizational policies, plans, and procedures, or the failure to comply with relevant laws and regulations.
- B. Uncertainty of an event occurring that could have an impact on the achievement of objectives.
- C. Probability that a balance or class of transactions and related assertions contain misstatements that could be material to the financial statements.

D. Failure to accomplish established objectives and goals for operations or programs.

Answer: [\(SHOW ANSWER\)](#)

NEW QUESTION: 142

When comparing an organization's current performance to that of the prior year, an internal auditor found that:

Total labor costs had increased.

More overtime costs had been incurred.

The total number of workers had increased.

Net income was 10 percent lower.

Based solely on this information, which of the following is a valid conclusion?

A. Wage rates increased.

B. Net income per worker decreased.

C. Worker efficiency decreased.

D. Total labor hours increased.

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

NEW QUESTION: 143

The percentage of orders that are rush orders and the percentage of returns to total orders are examples of which of the following types of control activities?

A. Quality control monitoring.

B. Direct functional management.

C. Benchmarking.

D. Performance indicators.

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

Section: Volume B

NEW QUESTION: 144

A member of the IT department transfers to the internal audit department. A few months after transferring, the new auditor volunteers to assist in an assurance engagement for the IT department. According to the Standards, how should the chief audit executive respond?

A. Decline the offer because the internal auditor subordinated professional judgment, and objectivity is therefore impaired.

B. Decline the offer because the internal auditor recently transferred from the IT department.

C. Accept the offer because the internal audit charter grants the internal auditor authority to maintain objectivity.

D. Accept the offer because the internal auditor maintains an independent mental attitude and is therefore objective.

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

NEW QUESTION: 145

To ensure that due professional care has been taken during an audit engagement, an internal auditor should always:

- A. Consider the possibility of noncompliance or irregularities at all times during an engagement.
- B. Document all audit tests completely.
- C. Notify the audit committee of any noncompliance or irregularity discovered during an engagement.
- D. Ensure that all financial information related to the engagement is included in the audit plan and examined for irregularities.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 146

Which of the following is a second line of defense in effective risk management and control?

- A. Purchasing department.
- B. Compliance department.
- C. Credit department.
- D. Internal audit department.

Answer: ([SHOW ANSWER](#))

Section: Volume E

NEW QUESTION: 147

The internal audit staff lacks the expertise to perform a specific activity when auditing an organization. Which of the following individuals is not an appropriate choice to perform this task?

- A. A consultant from an outside firm.
- B. A specialist from the staff of a government agency.
- C. An expert within the department being audited.
- D. A researcher affiliated with a college or university.

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

NEW QUESTION: 148

During an audit of a major contract, an internal auditor finds that actual hours and dollars billed are consistently at or near budgeted amounts. This condition is a red flag for which of the following procurement fraud schemes?

- A. Fictitious vendor.
- B. Cost mischarging.
- C. Bid rotation.
- D. Defective pricing.

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

NEW QUESTION: 149

While performing an accounts payable engagement, a senior auditor wants to conduct several tests of controls for travel expenses. Which of the following actions are most appropriate for the senior auditor to undertake?

1. Ensure all tests use a random sampling technique.
2. Consider a judgmental approach for the sample size.
3. Assess testing errors through root cause analysis.
4. Ensure that the entire data set is tested.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 150

Which of the following types of information would an internal auditor expect to find in the supporting documentation for a high-level accounts payable process flowchart?

- A. An overview of the steps for validating invoices.
- B. The payment terms and credit limit of the vendor to be paid.
- C. A copy of the new customer request form.
- D. The number of payments paid before the due date of the invoice.

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

NEW QUESTION: 151

Company A has a formal comprehensive corporate code of ethics while company B does not. Which of the following statements regarding the existence of the code of ethics in company A can be logically inferred?

1. Company A exhibits a higher standard of ethical behavior than does company B.
2. Company A has established objective criteria by which an employee's actions can be evaluated.
3. The absence of a formal corporate code of ethics in company B would prevent a successful audit of ethical behavior in that company.

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

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

Section: Volume C

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NEW QUESTION: 152

A major corporation is considering significant organizational changes. Which of the following groups would not be responsible for implementing these changes?

- A. Senior management.
- B. Employees.
- C. Common stockholders.
- D. Outside consultants.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 153

When internal auditors are preparing workpapers for the testing stage of an engagement, which of the following guidelines should be observed?

1. Include copies of all client files that were reviewed for the audit.
2. Avoid the use of professional, industry-appropriate jargon and technical terms.
3. Indicate the original sources of all data and information used in the workpapers.
4. Leave blank space for cross-references to be completed during the post-audit process.

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

Answer: C (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 154

Allegations have been made that an organization's share price has been manipulated.

Which of the following would provide an internal auditor with the most objective evidence in this case?

- A. Major shareholders of the organization.
- B. Large customers of the organization.
- C. Former members of management.
- D. Former financial consultants.

Answer: D (LEAVE A REPLY)

Section: Volume E

NEW QUESTION: 155

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

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

NEW QUESTION: 156

If earnings on financial statements for internal use only have been manipulated in the past, an internal auditor is likely to focus on which of the following?

- A. The proper accrual of payables at the end of the interim period.
- B. The timing of revenue recognition and the valuation of inventories.
- C. Whether accounting estimates are reasonable given past actual results.
- D. Whether there have been changes in accounting principles that materially affect the financial statements.

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

Section: Volume A

NEW QUESTION: 157

An internal auditor is conducting an engagement in the accounts payable department, which includes expressing an opinion at the micro level. According to IIA guidance, which of the following statements is true regarding micro-level opinions?

1. They are most effective when using a combination of current and prior engagement findings to draw conclusions.
2. They typically are based on defined procedures such as those found in an accounts payable reconciliation process.
3. They are discrete and not normally shared with senior management or the board.
4. They can rely on evidence taken from the work of other assurance activities across the organization.

- A. 1 and 2.
- B. 1 and 3.

C. 2 and 3.

D. 3 and 4.

Answer: ([SHOW ANSWER](#))

Section: Volume E

NEW QUESTION: 158

When an internal auditor applies due professional care to perform an assurance engagement, which of the following must she consider?

1. Findings of the last audit engagement performed.
2. Probability of significant errors, irregularities, or noncompliance.
3. Extent of work needed to achieve engagement objectives.
4. Cost of the engagement versus the potential benefits.

A. 1 and 4 only

B. 2 and 3 only

C. 2, 3, and 4 only

D. 1, 2, 3, and 4

Answer: ([SHOW ANSWER](#))

Section: Volume E

NEW QUESTION: 159

What type of risk management strategy is being employed when an organization installs two firewalls to provide protection from unauthorized access to the network?

- A. Avoiding the risk of having a direct network connection to untrusted networks.
- B. Accepting the risk that there may be attempts at unauthorized access to the network.
- C. Diversifying the risk that network access will not be available to legitimate, authorized users.
- D. Sharing the risk that either firewall could be compromised by hackers.

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

NEW QUESTION: 160

Which of the following is not an advantage of face-to-face interviews over electronic surveys?

- A. The response rate is typically higher.
- B. Interviewers can increase a respondent's comprehension of questions.
- C. Survey designers can use a wider variety of question types.
- D. They are less expensive to distribute and compile data.

Answer: ([SHOW ANSWER](#))

Section: Volume C

NEW QUESTION: 161

According to the Standards, which of the following best describes why initial audit test results should be reported to the auditor-in-charge prior to advising management?

- A. It helps ensure that appropriate professional judgements and conclusions are made.

- B.** It ensures that an appropriate chain of evidence is maintained through the workpapers.
- C.** It is required to demonstrate that effective engagement supervision has occurred.
- D.** It increases the likelihood of obtaining the audit client's agreement with the results.

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

NEW QUESTION: 162

Senior management at a financial institution has received allegations of fraud at its derivatives trading desk and has asked the internal audit activity to investigate and issue a report concerning the allegations. The internal audit activity has not yet developed sufficient proficiency regarding derivatives trading to conduct a thorough fraud investigation in this area. Which of the following courses of action should the chief audit executive (CAE) take to comply with the Standards?

- A.** Engage the former head of the institution's derivatives trading desk to perform the investigation and submit a report with supporting documentation to the CAE.
- B.** Request that senior management allow a delay of the fraud investigation until the internal audit activity's on- staff certified fraud examiner is able to obtain the appropriate training regarding the analysis of derivatives trading.
- C.** Request that senior management exclude the internal audit activity from the investigation completely and instead contract with an external certified fraud examiner with derivatives experience to perform all aspects of the investigation and subsequent reporting.
- D.** Contract with an external certified fraud examiner with derivatives experience to perform the investigation and subsequent reporting, with the chief audit executive approving the scope of the investigation and evaluating the adequacy of the work performed.

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

Section: Volume A

NEW QUESTION: 163

A major difference between enterprise risk management and traditional risk management lies in the narrow focus of traditional risk management on:

- I. Property and liability risks.
- II. Risks with insurance solutions.
- III. Risks impacting organizational objectives.

- A.** II and III only
- B.** I and II only
- C.** I and III only
- D.** I, II, and III.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 164

During a review of a division's operations, an internal auditor notes that sales and customer base are unchanged, while inventory and gross margin have increased significantly. Which of the

following audit procedures would be most relevant in substantiating management's assertion that the gross margin increase is due to increased efficiency in manufacturing operations?

- A. For a sample of products, compare costs-per-unit this year to those of last year, test cost build-ups, and analyze standard cost variances.
- B. Take a physical inventory of equipment to determine if there were significant changes.
- C. Obtain a physical count of inventory.
- D. Select a sample of finished goods inventory and trace raw materials cost back to purchase prices in order to determine the accuracy of the recorded raw materials price.

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

NEW QUESTION: 165

Why is it important for the chief audit executive to periodically review the audit charter and present the results to senior management and the board?

- A. Because changes in the organization may impair the internal audit activity's ability to meet its objectives.
- B. Because management requires the review to measure effectiveness of the internal audit activity.
- C. So that there is assurance of the internal audit staff's proficiency to complete audit activities.
- D. So that the individual objectivity of the internal audit staff can be more clearly established.

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

NEW QUESTION: 166

While reviewing the workpapers of a new auditor, the auditor in charge discovered that additional audit procedures might be necessary. According to IIA guidance, which of the following would be most relevant for the auditor in charge to consider when making this decision?

- A. Due professional care.
- B. Resource management.
- C. Coordination.
- D. Engagement supervision.

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 167

Which of the following is the primary advantage of using a computer assisted audit technique (CAAT) to provide a higher level of assurance?

- A. CAATs can select an appropriate sample size for testing and thus provide higher level of assurance.
- B. CAATs are more objective than the traditional methods in interpreting the results.
- C. CAATs can examine the whole of population of transactions, rather than a sample, in order to identify exceptions and trends.
- D. CAATs can process the results faster and thus give a higher level of assurance.

Answer: C (LEAVE A REPLY)

Section: Volume C

NEW QUESTION: 168

According to IIA guidance, which of the following practices by the chief audit executive (CAE) best enhances the organizational independence of the internal audit activity?

- A. CAE reviews and approves the annual audit plan.
- B. CAE meets privately with The board at least annually.
- C. CAE reports to the board regarding audit staff performance evaluation and compensation.
- D. CAE meets privately with The CEO at least annually.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 169

According to the International Professional Practices Framework, risk is:

- I. Defined as the negative effect of events that are expected to occur.
- II. Measured in terms of consequences.
- III. Measured in terms of likelihood.

- A. I and II only.
- B. II and III only.
- C. I only.
- D. I, II, and III.

Answer: (SHOW ANSWER)

NEW QUESTION: 170

An external quality assurance review which was authorized by the chief audit executive (CAE) indicated significant findings from the Standards. To whom should the final results of the quality assurance review be reported?

- A. Confidentially to the CAE only
- B. The CAE with copies to the board and senior management.
- C. To the board with copies to the external auditor or regulatory oversight body.
- D. To the senior management with a copy to the board.

Answer: B (LEAVE A REPLY)

Section: Volume C

NEW QUESTION: 171

Which of the following is the best example of a strategic objective?

- A. Adhering to laws and regulations.
- B. Attaining a specified sales target.
- C. Opening a new product line.
- D. Safeguarding assets.

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

NEW QUESTION: 172

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

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

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

Section: Volume C

Explanation/Reference:

NEW QUESTION: 173

According to The IIA's Code of Ethics, which of the following is true?

- A. Integrity requires that auditors perform internal audit services in accordance with the Standards.
- B. Confidentiality requires that auditors disclose all material facts known to them.
- C. Objectivity requires that auditors perform their work with honesty, diligence, and responsibility.
- D. Confidentiality requires that auditors be prudent in the use and protection of client information.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 174

A daily report which lists unsuccessful attempts to log on to a computer system is A.

- A. Preventive control.
- B. Compensating control.
- C. Detective control.
- D. Corrective control.

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

NEW QUESTION: 175

Why is a code of ethics for the internal audit profession necessary?

- A. It ensures that all members of the profession possess the same level of competence.
- B. It provides auditors with protection from lawsuits.
- C. It guides internal auditors in their service to others.

D. It requires auditors to exhibit loyalty to their organizations.

Answer: ([SHOW ANSWER](#))

Section: Volume E

NEW QUESTION: 176

Which of the following is a preventive control?

- A. Reviewing expense accounts for irregularities.
- B. Placing controls on physical access to inventory.
- C. Creating an audit trail.
- D. Reconciling purchase orders with approvals.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 177

The work papers for an audit of hazardous-materials handling and disposal at an engineering research facility provide evidence that the following procedures were performed.

Drums of hazardous waste not yet shipped off-site were inventoried. The physical count agreed with the company's inventory records.

A sample of hazardous-waste shipments received at the disposal site was compared to bills of lading and company records. No errors were detected.

The audit staff observed engineering personnel during the handling of hazardous materials. No company policy violations were noted.

The reconciliation of waste drums to the inventory records provides evidence that:

- A. The amount of hazardous materials being used was accurately recorded.
- B. All hazardous-waste drums in inventory were accounted for.
- C. Hazardous-waste materials were being disposed of as prescribed by company policy.
- D. Records of drums shipped to the waste disposal site were being maintained.

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

NEW QUESTION: 178

In order to exercise due professional care as defined in the International Professional Practices Framework, an internal auditor should.

I. Consider the probability of significant noncompliance in each audit engagement.

II.

Perform assurance procedures with sufficient care to ensure that all risks are identified.

III.

Weigh the cost of assurance against the benefits.

- A. I and II only.
- B. I, II, and III.
- C. I and III only.
- D. II and III only.

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

NEW QUESTION: 179

What role, if any, should the internal audit activity have in the process of following up on observations and recommendations made by the external auditors?

- A.** The internal audit activity should have no role in this process in order to ensure independence.
- B.** The internal audit activity should become involved only if the chief audit executive has sufficient evidence that the follow-up is not occurring.
- C.** The internal audit activity should review the adequacy and effectiveness of management's follow-up actions.
- D.** The internal audit activity should become involved only if specifically requested by management or the board of directors.

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

Section: Volume B

NEW QUESTION: 180

In order to save time, an audit manager no longer required that a standard internal control questionnaire be completed for each audit engagement. Does this represent a violation of the Standards?

- A.** Yes, because internal control should be evaluated on every engagement and the internal control questionnaire is the mandated approach to evaluate controls.
- B.** No, because auditors are not required to complete internal control questionnaires on every engagement.
- C.** Yes, because internal control should be evaluated on every engagement and the internal control questionnaire is the most efficient method to do so.
- D.** No, because auditors may omit necessary procedures if there is a time constraint, based on audit judgment.

Answer: (SHOW ANSWER)

NEW QUESTION: 181

An auditor for a large wholesaler is evaluating the controls over the approval and oversight of credit sales.

Which of the following procedures would be a control weakness?

- A.** The sales department is responsible for determining the credit ratings of customers.
- B.** The finance committee of the board of directors periodically reviews credit standards.
- C.** Customers who fail to meet credit requirements must pay cash for shipments upon delivery.
- D.** The credit department is responsible for approving shipments to all customers.

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

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NEW QUESTION: 182

Which of the following would not be a factor for senior management to consider when determining the internal audit activity's role in an organization's risk management process?

- A. The maturity level of risk management practices in the organization.
- B. The nature of the business and the environment in which the organization operates.
- C. The competency of the internal auditors in risk management.
- D. The extent to which the internal audit activity is outsourced.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 183

Which of the following factors have the greatest influence on the independence of the internal audit activity?

- A. Rotational assignments and familiarity of the internal audit activity.
- B. Employee incentives and self review of the internal audit activity.
- C. Quality assessments and cultural biases of the internal audit activity.
- D. Organizational positioning and scope control of the internal audit activity.

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

NEW QUESTION: 184

An internal auditor is checking the accuracy of a computer-printed inventory listing to determine whether the total dollar value of inventory is significantly overstated. Because there is no time or resources to check all items in the warehouse, a sample of inventory items must be used. If the sample size is fixed, which of the following would be the most accurate sampling approach?

- A. Employ simple random sampling.
- B. Sample so that the probability of a given inventory item being selected is proportional to the number of units sold for that item.
- C. Sample so that the probability of a given inventory item being selected is proportional to its book value.
- D. Select those items that are most easily inspected.

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

NEW QUESTION: 185

Which of the following is a limitation of using observation as a manual audit procedure?

- A. Observation provides information at a certain time and makes it difficult to draw representative conclusions.
- B. Observation is not as persuasive as inquiry due to a lack of direct evidence.
- C. Observation may cause individuals to behave less critically or carefully if they are aware that other forms of manual audit procedures have already taken place.
- D. Observation is performed specifically to test the validity of documented or recorded information.

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

NEW QUESTION: 186

In selecting a team to perform an internal audit of a purchasing operation, which of the following characteristics would not preclude an auditor from being selected?

1. The auditor's spouse is employed by the clerical section of the purchasing records unit.
2. The auditor had been a purchasing agent five years earlier.
3. The auditor's family owns a business that regularly sells goods to the organization.
4. The auditor has received a desk calendar as a promotional gift from a vendor.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 187

Which of the following is the best method for testing the accuracy of a computer program's calculation of shipping charges?

- A. Select transactions from invoices with shipping charges using difference estimation.
- B. Use either test data or parallel simulation to test the computer program.
- C. Select transactions from invoices with shipping charges using discovery sampling.
- D. Use generalized audit software to select a monetary-unit sample of invoices that have been billed to customers.

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

NEW QUESTION: 188

Regarding an organization's decision to retain an external audit firm, the chief audit executive (CAE) should:

- A. Not be involved in this decision process as it would compromise the CAE's objectivity.
- B. Evaluate the external auditor's performance and retain the external auditor if quality and cost criteria are met.
- C. Assist the audit committee by facilitating the development of an appropriate evaluation process.

D. Work with the organization's chief financial officer to evaluate the external auditor's performance and together make the decision.

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

NEW QUESTION: 189

Which of the following methods is not valid for completing continuing professional education hours?

- A. Participating in a formal in-house training program.
- B. Attending technical session meetings held by state auditing organizations.
- C. Publishing an article on the organization's internal audit department.
- D. Completing all audit engagements in accordance with the Standards.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 190

If an internal auditor discloses confidential information in response to a lawsuit, the internal auditor has violated.

- A. The IIA Code of Ethics.
- B. Both the IIA Code of Ethics and the Standards.
- C. Neither the IIA Code of Ethics nor the Standards.
- D. The Standards.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 191

Which of the following is true regarding the purpose of the COSO enterprise risk management framework?

1. It is a process that is ongoing and flows throughout the organization.
2. It contributes to the formulation of the organization's mission and vision.
3. It enables internal audit to provide reasonable assurance to an organization's management and the board.
4. It enables the management of risks within an organization's risk appetite.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 192

COBIT is primarily designed to:

- A. Satisfy information technology regulatory requirements.
- B. Assist technology professionals in interpreting technological specifications.
- C. Provide guidance to govern information technology activities.

D. Define auditing standards for information technology auditors.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 193

To enhance the independence of both the internal and external audit functions, audit committees should be composed of:

- A. Only external members of the board of directors or other similar oversight committees.
- B. Members from all important constituencies, specifically including representatives from banking, labor, regulatory agencies, shareholders, and officers.
- C. A rotating subcommittee of the board of directors or its equivalent.
- D. A combination of external members of the board of directors and company officers.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 194

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

Answer: B (LEAVE A REPLY)

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