

IIA.IIA-CIA-Part3.v2022-09-07.q162

Exam Code:	IIA-CIA-Part3
Exam Name:	Business Knowledge for Internal Auditing
Certification Provider:	IIA
Free Question Number:	162
Version:	v2022-09-07
# of views:	6004
# of Questions views:	1620
https://www.freepdfdumps.com/IIA.IIA-CIA-Part3.v2022-09-07.q162.html	

NEW QUESTION: 1

Before sending or receiving EDI messages, a company should:

- A. Execute a trading partner agreement with each of its customers and suppliers.
- B. Reduce inventory levels in anticipation of receiving shipments.
- C. Demand that all its suppliers implement EDI capabilities.
- D. Evaluate the effectiveness of its use of EDI transmissions.

Answer: A (LEAVE A REPLY)

Before sending or receiving EDI messages, a company should execute a trading partner agreement with its customers and suppliers. All parties should understand their responsibilities, the messages each will initiate, how they will interpret messages, the means of authenticating and verifying the completeness and accuracy of messages, the moment when the contract between the parties is effective, the [required level of security, etc.

NEW QUESTION: 2

Which of the following statements about COBIT is not true?

- A. Management needs to determine the cost-benefit ratio of adopting COBIT control objectives.
- B. COBIT control objectives are specific to various IT platforms and help determine minimum controls.
- C. COBIT provides management with the capability to conduct self-assessments against industry best practices.
- D. COBIT helps management understand and manage the risks associated with information technology (IT) processes.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 3

Companies characterized by the production of basically homogeneous products will most likely use which of the following methods for the purpose of averaging costs and providing management with unit-cost data?

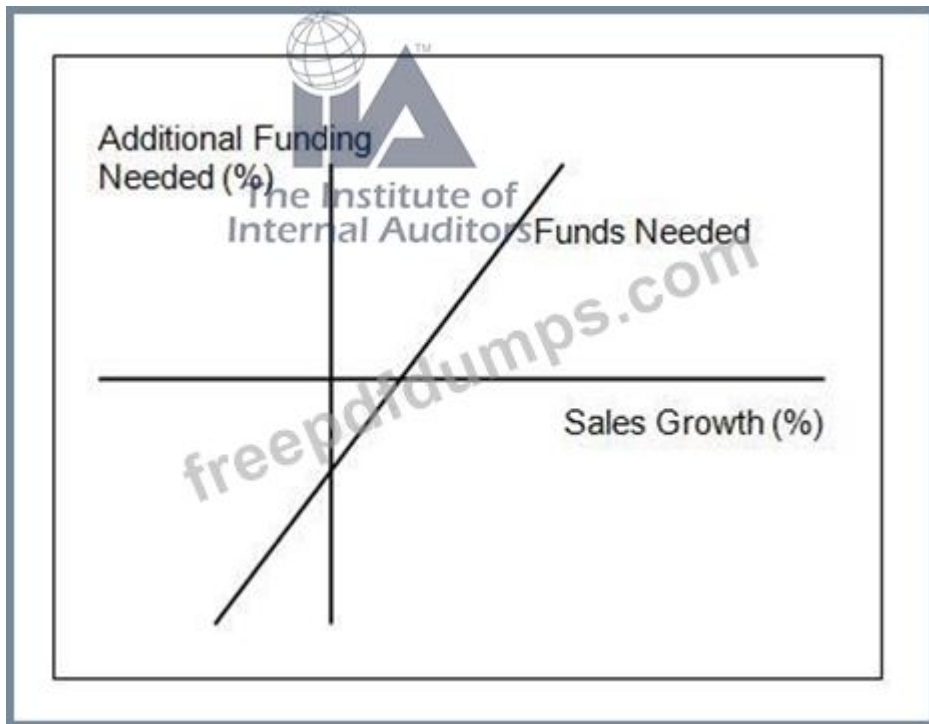
- A. Job-order costing.
- B. Direct costing.
- C. Absorption costing.
- D. Process costing.

Answer: D (LEAVE A REPLY)

Like products that are mass produced should be accounted for using process costing techniques to assign costs to products. Costs are accumulated by departments or cost centers rather than by jobs, work-in-process is stated in terms of equivalent units, and unit costs are established on a departmental basis. Process costing is an averaging process that calculates the average cost of all units.

NEW QUESTION: 4

Refer to the exhibit.



If the profit margin of an organization decreases, and all else remains equal, which of the following describes how the "Funds Needed" line in the graph below will shift?

- A. The "Funds Needed" line will remain pointed upward, but will become more steep.
- B. The "Funds Needed" line will point downward with a minimal slope.
- C. The "Funds Needed" line will point downward with an extreme slope.
- D. The "Funds Needed" line will remain pointed upward, but will become less steep.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 5

The marginal cost of debt for an entity is defined as the interest rate on <List A> debt minus

	List A	List B
A.	New	Entity's marginal tax rate
B.	Outstanding	Entity's marginal tax rate
C.	New	Interest rate times the entity's marginal tax rate
D.	Outstanding	Interest rate times the entity's marginal tax rate

- A. Option A
- B. Option B
- C. Option C

D. Option D

Answer: C (LEAVE A REPLY)

The marginal cost of debt as a rate) must equal the cost of new debt as a rate) minus the tax savings as a rate). Hence, marginal cost equals the cost of new debt times one minus the marginal tax rate, or $k_s(1 - T)$. This expression equals $K_a - K_{at}$. The marginal cost of debt financing is the interest rate on new debt minus the entity's marginal tax rate multiplied by the interest rate. Moreover, the marginal or incremental cost of debt to the entity is based on the cost of newly issued debt, not on the cost of outstanding debt.

NEW QUESTION: 6

Which is the least effective form of risk management?

- A. Systems-based preventive control.
- B. People-based preventive control.
- C. Systems-based detective control.
- D. People-based detective control.

Answer: (SHOW ANSWER)

NEW QUESTION: 7

The term "short-selling" is the:

- A. Selling of a security that was purchased by borrowing money from a broker.
- B. Selling of a security that is not owned by the seller.
- C. Selling of all the shares you own in an entity in anticipation that the price will decline dramatically.
- D. Betting that a stock will increase by a certain amount within a given period of time.

Answer: B (LEAVE A REPLY)

Short-selling is accomplished by borrowing securities from a broker and selling those securities. At a later time, the loan is repaid by buying securities on the open market and returning them to the broker. The seller speculates that the stock's market price will decline.

NEW QUESTION: 8

An entity uses the retail method of inventory estimation for interim reporting purposes.

Management expects some normal shrinkage in the inventory because of theft. What effect will the failure to consider this shrinkage have on the computation of 1) the cost retail ratio, and 2) the estimated ending inventory at retail?

	(1) Effect on Cost-Retail Ratio	(2) Effect on Estimated Ending Inventory at Retail
A.	No effect	No effect
B.	No effect	Overstatement
C.	Overstatement	Overstatement
D.	Overstatement	Understatement

- A. Option A
- B. Option B
- C. Option C
- D. Option D

Answer: B (LEAVE A REPLY)

The retail method of inventory estimation applies a cost-retail ratio to the ending inventory at retail to determine ending inventory at cost. For example, a popular method calculates the ratio as goods available for sale at cost divided by goods available at retail, with markups but not markdowns included in the calculation of the retail amount. Normal inventory is subtracted from the retail amount of goods available because they are not available. However, abnormal amounts of theft, etc., are removed from the cost and retail amounts. The reason for the difference in treatment is that normal but not abnormal inventory losses are anticipated and included in the selling retail value. Accordingly, failure to account for normal inventory shrinkage has no effect on the calculated cost-retail ratio but overstates ending inventory at retail.

NEW QUESTION: 9

One consequence of the imposition of tariffs or quotas on imported products is:

- A. Lower prices for domestic products that compete with affected imports.
- B. Domestic industry opposition to protection from imports.
- C. Additional consumption of the affected imported products.
- D. Higher prices for the affected imported products.

Answer: D (LEAVE A REPLY)

Tariffs lead to higher prices on imported products. Similarly, the imposition of quotas leads to higher prices through an artificial limitation on supply.

NEW QUESTION: 10

While auditing a marketing department, the internal auditor discovered that the product life cycle model was used to structure the marketing mix. Under such a philosophy, the price charged on a consistent basis for a specific product would probably be lowest during which life cycle stage?

- A. Introduction stage.
- B. Growth stage.
- C. Maturity stage.
- D. Decline stage.

Answer: C (LEAVE A REPLY)

During the maturity stage, competition is at its greatest and costs are at their lowest.

Moreover, entities are engaged in competitive price-cutting measures, resulting in some of the lowest prices seen during a product's life cycle.

NEW QUESTION: 11

Which of the following price adjustment strategies encourages prompt payment?

- A. Quantity discounts.
- B. Seasonal discounts.
- C. Functional discounts.
- D. Cash discounts.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 12

The economic reasoning dictating that each nation specialize in the production of goods that it produces relatively more efficiently than other nations and import those goods that are produced relatively more efficiently by other nations is called the doctrine of:

- A. Efficient trade.
- B. Diminishing returns.
- C. Relative competition.
- D. Comparative advantage.

Answer: (SHOW ANSWER)

The doctrine of comparative advantage relates to comparative costs within one country. It holds that a country should produce those products in which it has a comparative advantage, not necessarily those products in which it has an absolute advantage. The doctrine suggests that a country should produce those products for which the greatest efficiencies are attainable even if it could also produce other goods more efficiently than another nation. In the long run, importing a product in which a country has an absolute advantage but not a comparative advantage will result in an overall increase in global production.

NEW QUESTION: 13

On December 31, Year 1, XYZ led 5-year bonds with a face amount of US \$1 million.

The bonds carry a stated interest rate of 10% and were sold at par. Interest is payable annually on December 31. According to the provisions of the bond indenture, XYZ was to make annual deposits into a bond sinking fund (beginning December 31, Year 2) to accumulate the funds necessary to retire the bonds at their maturity. On December 31 Year 5, all required interest payments and sinking-fund payments due to date had been made on schedule. If the sinking-fund assets are properly classified as noncurrent. How should the balance of bonds payable be classified on the December 31 Year 5 balance sheet?

- A. Current liability
- B. Long-term liability.
- C. Contra to long-term investments.
- D. Deferred credit.

Answer: A (LEAVE A REPLY)

A current liability is an obligation on that is expected to be settled within the normal operating cycle or is due to be settled within 12 months of the balance sheet date. Any other liability is noncurrent. Some current liabilities are included in the working capital employed in the normal operating e.g., trade payables and accrued employee operating costs. Current liabilities not settled within the normal operating cycle include the current part of interest-bearing debt, dividends, income taxes, and bank overdrafts. Thus, the bonds payable should be classified as current because they are due to be settled within 12 months. Under the Standards, the classification of the sinking-fund assets is irrelevant to the classification of the bond payable.

NEW QUESTION: 14

Because of the large number of factors that could affect the demand for its new product, interactions among these factors, and the probabilities associated with different values of these factors, the marketing department would like to develop a computerized model for projecting demand for this product. By using a random-number procedure to generate values for the different factors, it will be able to estimate the distribution of demand for this new product. This method of estimating the distribution of demand for the new product is called

- A. Monte Carlo simulation.
- B. Linear programming.
- C. Correlation analysis.

D. Differential analysis.

Answer: (SHOW ANSWER)

Simulation is a technique in which a probabilistic process is first modeled. The inputs to the model are then varied a large number of times to estimate the distribution of possible outcomes from the model of the variable of interest. Simulations that use a random-number procedure to generate values for the inputs are referred to as Monte Carlo simulations.

NEW QUESTION: 15

An organization accumulated the following data for the prior fiscal year:

Value of Percentage of

Quarter

Output Produced

Cost X

1

\$4,750,000

2.9

2

\$4,700,000

3.0

3

\$4,350,000

3.2

4

\$4,000,000

3.5

Based on this data, which of the following describes the value of Cost X in relation to the value of Output Produced?

A. Cost X and the value of Output Produced are unrelated.

B. Cost X is a semi-fixed cost.

C. Cost X is a fixed cost.

D. Cost X is a variable cost.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 16

When using PERT (Program Evaluation Review Technique), the expected time for an activity when given an optimistic time (a), a pessimistic time (b), and a most likely time (m) is calculated by which one of the following formulas?

A. $(b-a) + 2$

B. $(a + b) + 2$

C. $(a+4m+b) / 6$

D. $(4abm) / 6$

Answer: C (LEAVE A REPLY)

PERT was developed to aid managers in controlling large, complex projects. PERT analysis includes probabilistic estimates of activity completion times. Three time estimates are made Optimistic, most likely, and pessimistic. The time estimates for an

activity are assumed to approximate a beta probability distribution. PERT approximates the mean of the beta distribution by dividing the sum of the optimistic time, the pessimistic time, and four times the most likely time by six.

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NEW QUESTION: 17

According to the COSO enterprise risk management (ERM) framework, which of the following is not a typical responsibility of the chief risk officer?

- A. Providing the board with an independent, objective risk perspective on financial reporting.
- B. Establishing risk category definitions and a common risk language for likelihood and impact measures.
- C. Defining ERM roles and responsibilities.
- D. Guiding integration of ERM with other management activities.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 18

The purpose of input controls is to ensure the:

- A. Authorization of access to data files.
- B. Authorization of access to program files.
- C. Completeness, accuracy, and validity of updating.
- D. Completeness, accuracy, and validity of input.

Answer: D (LEAVE A REPLY)

Input controls provide reasonable assurance that data received for computer processing have been properly authorized and are in a form suitable for processing, i.e., complete, accurate, and valid. Input controls also relate to rejection, correction, and resubmission of data that were initially incorrect.

NEW QUESTION: 19

The moving-average method of forecasting:

- A. Is a cross-sectional forecasting method.
- B. Regresses the variable of interest on a related variable to develop a forecast.
- C. Derives final forecasts by adjusting the initial forecast based on the smoothing constant.
- D. Includes each new observation in the average as it becomes available and discards the oldest observation.

Answer: D (LEAVE A REPLY)

The simple moving-average method is a smoothing technique that uses the experience of the past N periods (through time period t) to forecast a value for the next period. Thus, the average includes each new observation and discards the oldest observation. The forecast formula for the next period (for time period t+1) is the sum of the last N observations divided by N.

NEW QUESTION: 20

Which of the following e-commerce audit protocol items relates to the area of fraud?

- A. Segregation of duties.
- B. Inadequacies in interfacing between e-commerce and financial management systems.
- C. Examination of service level agreements between buyer, supplier, and certification authority.
- D. Denial of orders placed or received, goods received, or payments made.

Answer: (SHOW ANSWER)

With regard to the e-commerce audit protocol in the area of fraud, the internal auditor should be alert for the following conditions: Unauthorized movement of money e.g., transfers to jurisdictions where the recovery of funds would be difficult).

Duplication of payments.

Denial of orders placed or received, goods received, or payments made.

Exception reports and procedures, and effectiveness of the follow up.

Digital signatures: Are they used for all transactions Who authorizes them Who has access to them Protections against viruses and hacking activities history file use of tools).

Access rights Are they reviewed regularly Are they promptly revised when staff members are changed?

History of interception of transactions by unauthorized persons.

NEW QUESTION: 21

The dollar sales volume required in the coming year to earn the same after-tax profit as the past year is:

- A. US \$20,160,000
- B. US \$21,600,000
- C. US \$23,400,000
- D. US \$26,400,000

Answer: B (LEAVE A REPLY)

The desired after-tax profit is US \$1,188,000 (the past year's amount). Given a 40% tax rate, the pretax equivalent is US \$1,980,000 [$\$1,188,000 \div (1 - 0.40)$]. Pretax profit equals dollar sales unit sales x US \$40) minus total fixed costs, minus total variable costs unit sales x unit variable cost). Hence, the contribution margin sales - variable costs) is equated with the sum of fixed costs and the targeted pretax profit. Unit sales S) equal 540,000. and sales dollars equal US \$21,600,000 (540,000 units x \$40).

$$\begin{aligned} \text{US } \$40S - \$9,900,000 - \$18S &= \text{US } \$1,980,000 \\ \text{US } \$22S &= \text{US } \$11,880,000 \\ S &= 540,000 \text{ units} \end{aligned}$$

A company that sells its single product for US \$40 per unit uses cost-volume-profit analysis in its planning. The company's after-tax profit for the past year was US \$1,188,000 applying an effective tax rate of 40%. The projected costs for manufacturing and selling its single product in the coming year are listed.

Variable costs per unit:	
Direct materials	US \$ 5.00
Direct labor	4.00
Manufacturing overhead	6.00
Selling and administrative costs	3.00
Total cost per unit	<u>US \$18.00</u>
Annual fixed operating costs:	
Manufacturing overhead	US \$6,200,000
Selling and administrative costs	3,700,000
Total annual fixed cost	<u>US \$9,900,000</u>

NEW QUESTION: 22

The network below describes the interrelationships of several activities necessary to complete a project. The arrows represent the activities. The numbers between the arrows indicate the number of months to complete each activity. The shortest time to complete the project is:

- A. 5 months.
- B. 6 months.
- C. 8 months.
- D. 14 months.

Answer: C (LEAVE A REPLY)

The longest, or critical, path in the network from node A) to node F) is path A- -D-F. All other paths are shorter than path A-C-D-F, so the activities along those paths can be completed before the activities along path A-C-D-F. Thus, the shortest time to complete the project is 8 months (3 + 3 + 2).

NEW QUESTION: 23

Which of the following types of analytics focuses less on analysis and more on condensing data into more meaningful pieces of information?

- A. Diagnostic analytics
- B. Predictive analytics
- C. Prescriptive analytics
- D. Descriptive analytics

Answer: (SHOW ANSWER)

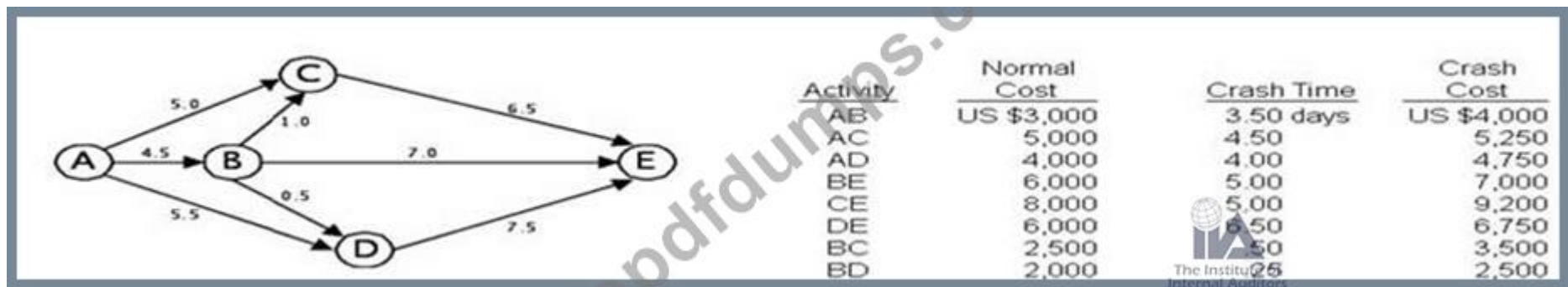
NEW QUESTION: 24

The process of adding resources to shorten selected activity times on the critical path in project scheduling is called:

- A. Crashing.
- B. The Delphi technique.
- C. ABC analysis.
- D. A branch-and-bound solution.

Answer: A (LEAVE A REPLY)

Activity times are estimated for normal effort and crash effort. Crashing is the process of adding resources to shorten activity times on the critical path in project scheduling. The network diagram and the corresponding activity cost chart for a manufacturing project at Networks, Inc. are presented below. The numbers in the diagram are the expected times (in days) to perform each activity in the project.



NEW QUESTION: 25

Which of the following describes the most appropriate set of tests for auditing a workstation's logical access controls?

- A. Review the passwords of those who attempted unsuccessfully to access the workstation and the log of their activity.
- B. Review the list of people who attempted to access the workstation and failed, as well as error messages.
- C. Review the password length, frequency of change, and list of users for the workstation's login process.
- D. Review the list of people with access badges to the room containing the workstation and a log of those who accessed the room.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 26

Using an EOQ analysis (assuming a constant demand), it is determined that the optimal order quantity is 2,500. The company desires a safety stock of 500 units. A 5-day lead time is needed for delivery. Annual inventory holding costs equal 25% of the average inventory level. It costs the company US \$4 per unit to buy the product, which it sells for US \$8. It costs the company US \$150 to place a detailed order, and the monthly demand for the product is 4,000 units.

Total inventory ordering costs per year equal:

- A. US\$1,250
- B. US\$2,400
- C. US\$2,880
- D. US\$3,600

Answer: C (LEAVE A REPLY)

Total annual demand is 48,000 units (4,000 per month x 12). Hence, total annual ordering costs equal US \$2,880 [US \$150 cost per order x (48,000 units ÷ 2,500 EOQ)].

NEW QUESTION: 27

Which of the following statements is the best description of reversing entries?

- A. The recording of reversing entries is a mandatory step in the accounting cycle.
- B. Reversing entries are made at the end of the next accounting period, after recording regular transactions of the period.
- C. Reversing entries are identical to the adjusting entries made in the previous period.
- D. Reversing entries are the exact opposite of the adjustments made in the previous period.

Answer: D (LEAVE A REPLY)

Reversing entries are made at the beginning of a period to reverse the effects of adjusting entries made at the end of the preceding period. They are optional entries made for the sake of convenience in recording the transactions of the period. In order

for reversing entries to reverse the prior adjustments, they must be the exact opposite of the adjustments made in the previous period.

NEW QUESTION: 28

What would be the effect of a lower tax rate on the ending balance of ordinary shares and on dividends said for the year?

	<u>Ending Balance of Ordinary Shares</u>	<u>Dividends Paid</u>
A.	Increase	Increase
B.	Decrease	Decrease
C.	No effect	Increase
D.	No effect	Decrease

- A. Option A
- B. Option B
- C. Option C
- D. Option D

Answer: C (LEAVE A REPLY)

The balance in the ordinary shares account represents share capital i.e. capital contributed by owners, not earnings retained in the business. It is not affected by a change in tax rate. Dividends will increase, not however, because they are a constant percentage of after-tax earnings. An entity reports the following account balances at year-end:

<u>Account</u>	<u>Balance</u>
Long-term debt	US \$200,000
Cash	50,000
Net sales	600,000
Fixed assets (net)	320,000
Tax expense	67,500
Inventory	25,000
Ordinary shares	100,000
Interest expense	20,000
Administrative expense	35,000
Retained earnings	82,500
Accounts payable	65,000
Accounts receivable	120,000
Cost of goods sold	400,000

The opening balance of ordinary shares was US \$100,000. The opening balance of ordinary earnings was US \$82,500. The entity had 10,000 ordinary shares outstanding all year. No dividends were paid during the year.

NEW QUESTION: 29

Which of the following terms is not used in project management?

- A. Dummy activity.
- B. Latest finish.
- C. Optimistic time.
- D. Lumpy demand.

Answer: D (LEAVE A REPLY)

Project management concerns managing teams assigned to special projects. Lumpy demand refers to periodic demand for a product or service that increases in large, lumpy increments.

NEW QUESTION: 30

An organization upgraded to a new accounting software. Which of the following activities should be performed by the IT software vendor immediately following the upgrade?

- A. Services to manage and maintain the IT Infrastructure.
- B. Market analysis to identify trends
- C. Backup and restoration.
- D. Software testing and validation

Answer: D (LEAVE A REPLY)

NEW QUESTION: 31

In which of the following organizational structures does total quality management (TQM) work best?

- A. Hierarchal.
- B. Teams of people from the same specialty.
- C. Teams of people from different specialties.
- D. Specialists working individually.

Answer: C (LEAVE A REPLY)

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

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NEW QUESTION: 32

During which phase of the contracting process are contracts drafted for a proposed business activity?

- A. Initiation phase
- B. Bidding phase
- C. Management phase
- D. Development phase

Answer: (SHOW ANSWER)

NEW QUESTION: 33

Which of the following authentication device credentials is the most difficult to revoke when an employee's access rights need to be removed?

- A. A card-key system.
- B. A traditional key lock.
- C. A biometric device.
- D. A proximity device.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 34

The management discussion and analysis section of a company's annual report typically contains:

- A. A description of the company's primary business and segments.
- B. A discussion of the company's operating results.
- C. A discussion of the future prospects of the company.
- D. All of the answers are correct.

Answer: D (LEAVE A REPLY)

The MD&A section addresses capital resources, liquidity, and operating results.

Management must also identify trends and discuss significant events and uncertainties. Thus, the MD&A section typically includes a description of the company's primary business and segments. It reviews the operating results of the company, providing a breakdown of net sales and income by segment. It also contains prospective information on economic trends and market changes, and their potential effects on the company's future performance.

NEW QUESTION: 35

If the probability of hot weather, given a hot weather forecast, is 50%, how much would the vendor be willing to pay for the forecast?

- A. US \$600
- B. US \$300
- C. US \$1,000
- D. US \$500

Answer: B (LEAVE A REPLY)

If the weather is hot and coffee is served, the vendor earns US \$1,900. If the vendor knows the weather will be hot, she would sell soft drinks and make U \$2,500, a US \$600 increase.

Thus, the vendor should be willing to pay up to U \$600 for perfect information regarding hot weather. However, if the forecasts are only 50% accurate, the information is not perfect. Accordingly, the vendor should be willing to pay only U \$300 the U \$600 potential increase

in profits 50%) for the sometimes accurate forecasts.

NEW QUESTION: 36

During the past few years, Wilder Company has experienced the following average number of power outages:

Number per Month	Number of Months
0	3
1	2
2	4
3	3
	<u>12</u>

Each power outage results in out-of-pocket costs of U \$300. For U \$1,000 per month, At US \$800 can lease generator to provide power during outages. If Wilder leases a generator in the coming year, the estimated savings or additional expense) for the year will be:

- A. U \$ 15,200)
- B. US \$ 1,267)
- C. U \$3,200
- D. U \$7,200

Answer: (SHOW ANSWER)

Each outage costs US \$800, but this experience can be avoided by paying US \$1,000 per month US \$12,000 for the year). The expected-value approach uses the probability distribution derived from past experience to determine the average expected outages per month.

$$\begin{array}{r}
 3 + 12 \times 0 = 0.0 \\
 2 + 12 \times 1 = 0.16667 \\
 4 + 12 \times 2 = 0.66667 \\
 3 + 12 \times 3 = 0.75000 \\
 \hline
 1.58334
 \end{array}$$

The company can expect to have, on average, 1.58334 outages per month. At US \$800 per outage, the expected costs is US \$1,266.67. Thus, paying US \$1,000 to avoid an expense of US \$1,266.67 saves US \$266.67 per month, or US \$3,200 per year.

NEW QUESTION: 37

Which of the following is a key responsibility of a database administrator?

- A. Provide production support.
- B. Troubleshoot end user problems
- C. Maintain database integrity
- D. Provide physical security of databases

Answer: C (LEAVE A REPLY)

NEW QUESTION: 38

Assume that each day an entity writes and receives checks totaling US \$10,000. If it takes 5 days for the checks to clear and be deducted from the entity's account and only 4 days for the deposits to clear, what is the float?

- A. US \$10,000
- B. US TO
- C. US \$(10,000)
- D. US \$50,000

Answer: A (LEAVE A REPLY)

The float period is the time between when a check is written and when it clears the payer's checking account. Check float results in an interest-free loan to the payer because of the delay between payment by check and its deduction from the bank account. If

checks written require one more day to clear than checks received, the net float equals one day's receipts. The entity will have free use of the money for one day_ In this case, the amount is US \$10,000.

NEW QUESTION: 39

In Year 2, a manufacturing company instituted a total quality management (TQM) program producing the following report:



Summary Cost of Quality Report (000s)

	Year 1	Year 2	% Change
Prevention costs	US \$ 200	US \$ 300	+50
Appraisal costs	2100	315	+50
Internal failure costs	190	114	-40
External failure costs	1,200	621	-48
Total quality costs	<u>US \$ 1,800</u>	<u>US \$ 1,350</u>	<u>-25</u>

On the basis of this report, which one of the following statements is most likely true?

- A. An increase in conformance costs resulted in a higher quality product and therefore resulted in a decrease in nonconformance costs.
- B. An increase in inspection costs was solely responsible for the decrease in quality costs.
- C. Quality costs, such as scrap and rework, decreased by 48%.
- D. Quality costs, such as returns and repairs under warranty, decreased by 40%.

Answer: A (LEAVE A REPLY)

TQM emphasizes the supplier's relationship with the customer and recognizes that everyone in a process is at some time a customer or supplier of someone else, either within or outside the organization. The costs of quality include costs of conformance and costs of nonconformance. Costs of conformance include prevention costs and appraisal (inspection) costs. Nonconformance costs are composed of internal failure costs and external failure costs, such as lost opportunity. Conformance costs (prevention and appraisal) increased substantially, whereas the nonconformance costs (internal and external failure) decreased. Hence, the increase in conformance costs resulted in a higher-quality product.

NEW QUESTION: 40

Which mindset promotes the most comprehensive risk management strategy?

- A. Maximize market share.
- B. Mitigate losses.
- C. Improve operational efficiency.
- D. Increase shareholder value.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 41

Which of the following security controls might prevent unauthorized access to sensitive data via an unattended workstation directly connected to a mainframe?

- A. Use of a screen saver.
- B. Use of passwords to identify users.
- C. Encryption of data files.

D. Automatic log-off of inactive users.

Answer: D (LEAVE A REPLY)

Automatic log-off of inactive users is a utility that disconnects a workstation from the mainframe or server after a certain amount of time. Once the workstation has been disconnected, the user must log back into the system.

NEW QUESTION: 42

The percentage of sales method, rather than the percentage of receivables method, would be used to estimate uncollectible accounts if an organization seeks to:

- A. Eliminate the need for an allowance for doubtful accounts.
- B. Use a method that approximates the matching principle.
- C. Emphasize the accuracy of the net realizable value of the receivables on the balance sheet.
- D. Use an aging schedule to more closely estimate uncollectible accounts.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 43

Which of the following would be a reasonable basis for allocating the material handling costs to the units produced in an activity-based costing system?

- A. Number of production runs per year.
- B. Number of components per completed unit.
- C. Amount of time required to produce one unit.
- D. Amount of overhead applied to each completed unit.

Answer: B (LEAVE A REPLY)

An essential element of activity-based costing (ABC) is driver analysis which identifies the cause-and-effect relationship between an activity and its consumption of resources and for an activity and the demands made on it by a cost object. There is a direct causal relationship between the number of components in a finished product and the amount of material handling cost incurred:

NEW QUESTION: 44

An entity sells 1,500 units of a particular item each year and orders the items in equal quantities of 500 units at a price of US \$5 per unit. No safety stocks are held. If the entity has a cost of capital of 12%, its annual opportunity cost of carrying inventory is:

- A. US\$150
- B. US\$180
- C. US\$300
- D. US\$900

Answer: (SHOW ANSWER)

The annual opportunity cost of carrying inventory equals the average inventory level, times the per-unit purchase price, times the cost of capital. The average inventory level is the order quantity divided by 2. Thus, the annual opportunity cost of carrying inventory is US \$150 $[(500 \text{ units} / 2) \times \$ 5 \times .12]$.

NEW QUESTION: 45

Various tools are employed to control large scale projects. They include all of the following except:

- A. PERT.

- B. CPM.
- C. Statistical process control.
- D. Gantt charts.

Answer: C (LEAVE A REPLY)

Statistical process (quality) control is not used to control large scale projects. Statistical quality control is a method of determining whether the shipment or production run of units lies within acceptable limits. It is also used to determine whether production processes are out of control.

NEW QUESTION: 46

The emergence of electronic data interchange (EDI) as standard operating practice increases the risk of:

- A. Unauthorized third-party access to systems
- B. Systematic programming errors.
- C. Inadequate knowledge bases.
- D. Unsuccessful system use.

Answer: A (LEAVE A REPLY)

EDI is the communication of electronic documents directly from a computer in one entity to a computer in another entity. EDI for business documents between unrelated parties has the potential to increase the risk of unauthorized third-party access to systems because more outsiders will have access to internal systems.

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NEW QUESTION: 47

An example of secured short-term financing is:

- A. Commercial paper.
- B. A warehouse receipt
- C. A revolving credit agreement.
- D. Trade credit

Answer: B (LEAVE A REPLY)

A document of title is usually issued by a bailee covering goods in the bailee's possession or care (UCC 1-201). It represents ownership of the goods and is ordinarily needed to obtain the goods from the bailee. The two major types of documents of title are bills of lading (issued by carriers) and warehouse receipts. A warehouse receipt is issued by a person engaged in the business of storing goods for hire. Security for short-term inventory financing can be arranged if the debtor places its inventory under the control of the lender or its agent (e.g., a public warehouse), and the lender holds the warehouse receipts.

NEW QUESTION: 48

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

- A. Set clear objectives.
- B. Establish key competencies.
- C. Demonstrate support from senior management.
- D. Engage the various communities of practice within the organization.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 49

Which of the following statements is true for a defined contribution post employment benefit plan?

- A. The employer is required to contribute a certain amount each period based on the plan's formula.
- B. The employer bears the risk of the plan's investment performance.
- C. Post employment benefits received by employees are defined by the plan's formula
- D. The employer and employees are required to contribute equal amounts to the fund.

Answer: ([SHOW ANSWER](#))

A defined contribution plan provides benefits in exchange for services, provides an account for each participant, and specifies how contributions are to be determined. Post employment benefits depend only on contributions, returns on investment, and allocated forfeitures of other participants' benefits. Thus, employees have the benefit of gain and the risk of loss.

NEW QUESTION: 50

The entity will pay dividends for the year of:

- A. US \$10,625
- B. US \$21,250
- C. US \$23,125
- D. US \$42,500

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

The entity has a dividend payout ratio of 25% of profit. Profit before taxes is US \$85,000 [$\$500,000$ sales - $\$250,000$ CGS - $\$25,000$ G&A expenses - $\$400,000$ LT debt x 10% interest rate) - $\$600,000$ fixed assets - 6 years)]. Hence, after-tax profit is US \$42,500 [$\$85,000 \times 1.0 - .5$], and the dividend payout is US \$10,625 ($\$42,500 \times 25\%$).

During the year ended December 31. an entity had US \$500,000 in sales revenue and purchased US \$150,000 of inventory. The cost of goods sold was US \$250,000 for the year, and the entity incurred US \$ 25,000 of general and administrative expenses.

The January 1 opening balance sheet was as follows:

Cash		US \$120,000
Accounts receivable		100,000
Inventory		200,000
Fixed assets (gross)	US \$600,000	
Accum. depreciation	(100,000)	
Net fixed assets		500,000
Total assets		US \$920,000
Accounts payable		220,000
Long-term debt		400,000
Ordinary shares		100,000
Retained earnings		200,000
Total liabilities and equity		US \$920,000

The cost of long-term debt financing is 10% per annum, payable in one installment on December 31 of each year. The entity has a 50% tax rate. The entity has a dividend payout ratio of 25%. The fixed assets were 1-year old at the start of the current year were originally estimated to have a 6-year useful life. and are being depreciated on the straightline basis.

NEW QUESTION: 51

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

1. Consult on CSR program design and implementation.
2. Serve as an advisor on CSR governance and risk management.
3. Review third parties for contractual compliance with CSR terms.
4. Identify and mitigate risks to help meet the CSR program objectives.

A. 1, 2, and 4

B. 1, 3, and 4

C. 2, 3, and 4

D. 1, 2, and 3

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 52

Large organizations often have their own telecommunications networks for transmitting and receiving voice, data, and images. Very small organizations, however, are unlikely to be able to make the investment required for their own networks and are more likely to use:

A. Public switched lines.

B. Fast-packet switches.

C. Standard electronic mail systems.

D. A WAN.

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

Companies can use public switched lines (phone lines) on a per-transmission basis. This option is the most cost-effective way for low-volume users to conduct telecommunications.

NEW QUESTION: 53

What is the number of production runs per year of computer chairs that would minimize the sum of carrying and setup costs for RCF for the coming year?

A. 1

B. 2

C. 4

D. 5

Answer: ([SHOW ANSWER](#))

The EOQ minimizes the sum of carrying and setup costs. The EOQ is the amount at which carrying costs are equal to setup costs. Thus, plugging the data into the EOQ formula results in the following:

$$EOQ = \sqrt{\frac{2 \times US \$1,000 \times 5,000}{\$10}} = 1,000 \text{ units}$$

Thus, if each lot consists of 1,000 units, five production runs per year are needed to meet the 5,000-unit demand. At this level, setup costs will total US \$5,000 ($5 * \$1,000$) Carrying costs will also equal US \$5,000 ($\10 per unit carrying cost * average inventory of 500 units). Accordingly, total costs are minimized at US\$10,000.

NEW QUESTION: 54

Which of the following describes the most appropriate set of tests for auditing a workstation's logical access controls?

- A. Review the list of people with access badges to the room containing the workstation and a log of those who accessed the room.
- B. Review the password length, frequency of change, and list of users for the workstation's login process.
- C. Review the list of people who attempted to access the workstation and failed, as well as error messages.
- D. Review the passwords of those who attempted unsuccessfully to access the workstation and the log of their activity.

Answer: ([SHOW ANSWER](#))

Explanation/Reference:

NEW QUESTION: 55

Which of the following is an indication that a computer virus is present?

- A. Frequent power surges that harm computer equipment.
- B. Unexplainable losses of or changes to data.
- C. Inadequate backup, recovery, and contingency plans.
- D. Numerous copyright violations due to unauthorized use of purchased software.

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

The effects of computer viruses range from harmless messages to complete destruction of all data within the system. A symptom of a virus would be the unexplained loss of or change to data.

NEW QUESTION: 56

Which one of the following input validation routines is not likely to be appropriate in a real-time operation?

- A. Sign check
- B. Reasonableness check.
- C. Sequence check
- D. Redundant data check.

Answer: ([SHOW ANSWER](#))

The program controls listed prescreen or edit data prior to processing, but the sequence check is most likely to be used only in batch processing. A sequence check lets to determine that records are in proper order. For example, a payroll input file can be sorted into Social Security number order. A sequence check can then be performed to verify record order. This control would not apply in a real-time operation because records are not processed sequentially.

NEW QUESTION: 57

Which of the following describes the free trade zone in an e-commerce environment?

- A. Zone that separates an organization's servers from outside forces.
- B. Zone where data is encrypted, users are authenticated, and user traffic is filtered.
- C. Area in which messages are scrutinized to determine if they are authorized.

D. Area where communication and transactions occur between trusted parties.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 58

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

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

A. 1, 2, and 3

B. 2, 3, and 4

C. 1, 2, and 4

D. 1, 3, and 4

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 59

As organizations become more computer integrated, management is becoming increasingly concerned with the quality of access controls to the computer system. Which of the following provides the most accountability?

	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>
Restrict access by:	Individuals	Groups	Individuals	Departments
Identify computer data at:	Field level	Workstation	Workstation	Individual record level
Restrict access:	Need to know	Right to know	Normal processing by employee type	Items identified as processed by department
Identify users by:	Password	Password	Key access to workstation, or password on workstation	Departmental password
Limit ability to:	Delete, add, or modify data	Add or delete files	Add, delete, or modify data stored at workstation	Add, delete, or modify data normally processed by department

A. Option I.

B. Option II.

C. Option III.

D. Option IV.

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

Access should be limited to those whose activities necessitate access to the computer system. Moreover, the degree of access allowed should be consistent with an individual's responsibilities. Restricting access to particular individuals rather than groups or departments clearly establishes specific accountability. Not everyone in a group will

need access or the same degree of access. Thus, passwords assigned to individuals should be required for identification of users by the system. Furthermore, data should be restricted at the field level, not the workstation level. It may be possible to limit access to a workstation, but most workstations are connects -d t. larger mainframe or network databases. Thus, the security at the workstation level only would be insufficient.

NEW QUESTION: 60

Queuing models are concerned with balancing the cost of waiting in the queue with the:

- A. Cost of providing service.
- B. Number of customers in the queue.
- C. Average waiting time in the queue.
- D. Usage rate for the service being rendered.

Answer: A (LEAVE A REPLY)

Queuing (waiting-line) models minimize, for a given rate of arrivals, the sum of (1) the cost of providing service (including facility costs and operating costs) and (2) the cost of idle resources waiting in line. The latter may be a direct cost, if paid employees are waiting, or an opportunity cost in the case of waiting customers. This minimization occurs at the point where the cost of waiting is balanced by the cost of providing service.

NEW QUESTION: 61

A mail-order retailer of low-cost novelty items is receiving an increasing number of complaints from customers about the wrong merchandise being shipped. The order code for items has the format The major category is ww, xx is the minor category, yy identifies the item, and zz identifies the catalog. In many cases, the wrong merchandise was sent because adjacent characters in the order code had been transposed. The best control for decreasing the number of orders with the wrong merchandise is to:

- A. Require customers to specify the name for each item they order.
- B. Add check-digits to the order codes and verify them for each order.
- C. Separate the parts of the order code with hyphens to make the characters easier to read.
- D. Use a master file reference for all order codes to verify the existence of items.

Answer: (SHOW ANSWER)

Self-checking digits may be used to detect incorrect codes. The digit is generated by applying an algorithm to the code. During the input process, the check digit is recomputed by applying the same algorithm to the code actually entered.

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NEW QUESTION: 62

When a manager generalizes from the evaluation of one or a few traits to the employee's total performance, she has made:

- A. A judgmental evaluation.
- B. An evaluation subject to the halo effect.
- C. A projection.
- D. An objective evaluation

Answer: B (LEAVE A REPLY)

The halo effect occurs when the appraiser judges one or a few employee traits and carries over this judgment to the evaluation of the employee's other traits. The converse of the halo effect is the horn effect. It occurs when the manager allows one negative trait to influence the evaluation of other traits.

NEW QUESTION: 63

The process of monitoring evaluating, and modifying a system as needed is referred to as systems:

- A. Analysis.
- B. Feasibility study.
- C. Maintenance.
- D. Implementation.

Answer: C (LEAVE A REPLY)

Systems maintenance must be undertaken by systems analysts and applications programmers continually throughout the life of a system. Maintenance is the redesign of the system and programs to meet new needs or to correct design flaws. These changes should be part of a regular program of preventive maintenance.

NEW QUESTION: 64

A means of limiting production delays caused by equipment breakdown and repair is to:

- A. Schedule production based on capacity planning.
- B. Plan maintenance activity based on an analysis of equipment repair work orders.
- C. Pre-authorize equipment maintenance and overtime pay.
- D. Establish a preventive maintenance program for all production equipment.

Answer: D (LEAVE A REPLY)

Preventive maintenance program will reduce equipment breakdowns and repairs.

NEW QUESTION: 65

Which of the following statements pertaining to a market skimming pricing strategy is not true?

- A. The strategy is favored when unit costs fall with the increase in units produced.
- B. The strategy is favored when there is insufficient market capacity and competitors cannot increase market capacity.
- C. The strategy is favored when high price is perceived as high quality.
- D. The strategy is favored when buyers are relatively insensitive to price increases.

Answer: (SHOW ANSWER)

NEW QUESTION: 66

The breakeven point in unit sales for Year 1 is:

- A. 36,495 units.
- B. 42,240 units.

C. 46.080 units.

D. 56.320 units.

Answer: C (LEAVE A REPLY)

The breakeven point in unit sales equals total fixed costs divided by the unit contribution margin (UCM). Total fixed costs are US \$1,520,640 (\$600,000 + 7,000 units × \$352,800), and the UCM is US \$33 [\$4,950,000 contribution margin sales minus variable costs) - 100,000 units sold]. Hence, the breakeven point in unit sales is 46,080 units (US \$1,520,640 ÷ \$33). Data regarding Year 1 operations for an enterprise that had no beginning or ending inventories are as follows:

Sales (150,000 units)	US \$9,000,000
Variable costs:	
Direct materials	US \$1,800,000
Direct labor	720,000
Manufacturing overhead	1,080,000
Selling expenses	450,000
Fixed costs:	
Manufacturing overhead	US \$ 600,000
Administrative expenses	567,840
Selling expenses	352,800
Income tax rate	40%

The enterprise estimates that next year direct materials costs will increase by 10% and direct labor costs will increase by 10%. The unit contribution margin will increase by 10% to US \$5.40 per unit. In addition, fixed selling expenses will increase by US \$29,520. All other costs will be incurred at the same rates or amounts as the current year.

NEW QUESTION: 67

A perpetual inventory system uses a minimum quantity on hand to initiate purchase ordering procedures for restocking. In reviewing the appropriateness of the minimum quantity level established by the stores department, the internal auditor is least likely to consider

- A. Stockout costs, including lost customers.
- B. Seasonal variations in forecasting inventory demand.
- C. Optimal order sizes determined by the economic order quantities model.
- D. Available storage space and potential obsolescence.

Answer: C (LEAVE A REPLY)

The basic economic order quantity (EOQ) model is based on the following variables: demand, variable cost per purchase order, and variable unit carrying cost. Thus, minimum stocking levels do not affect the EOQ.

NEW QUESTION: 68

Which of the following statements is not true regarding ISO 9000 standards?

- A. Compliance with the standards is voluntary.
- B. The ISO 9000 standards are revised every 5 years to account for technological and market developments.
- C. The objective of ISO 9000 standards is to ensure high quality products and services.
- D. ISO 9000 is a set of generic standards for establishing and maintaining a quality system within a company.

Answer: C (LEAVE A REPLY)

The objective of ISO 9000 standards is to ensure consistent quality even if the quality is poor. The market will determine the quality of the end result.

NEW QUESTION: 69

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

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

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

NEW QUESTION: 70

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

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

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

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

NEW QUESTION: 71

If electronic funds transfer (EFT) is used to pay vendor invoices, which of the following computer-assisted audit procedures would an auditor use to determine if any payments were made twice?

- I. Testing of EFT transactions for reasonableness.
- II. Identification of EFT transactions to the same vendor for the same dollar amount.
- III. Extraction of EFT transactions with unauthorized vendor codes.
- IV. Searching for EFT transactions with duplicate purchase order numbers.

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

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

EFT is a service provided by financial institutions worldwide that is based on EDI technology. EFT transaction costs are lower than for manual systems because documents and human intervention are eliminated from the transactions process.

Inaccurate transaction processing (including duplication) is a risk specific to EFT. Thus, an auditor should 1) review transactions with the same vendor for the same amount and 2) search for transactions with duplicate purchase order numbers. However, selection of transactions with unauthorized vendor codes and testing of transactions for reasonableness do not identify duplicate payments.

NEW QUESTION: 72

Which of the following observations concerning quality control is most accurate?

- A. Process quality control is used when examining the quality of goods or services that already exist.
- B. Process quality control is used to prevent defects, and product quality control is used primarily to identify defects after the fact.
- C. Product quality control is designed to balance the marketability of higher quality against the cost of attaining higher quality.
- D. Product quality control is more important than process quality control.

Answer: B (LEAVE A REPLY)

Process quality is the effectiveness and efficiency of the organization's internal operations. Product quality is the conformance of the organization's output with customer expectations.

NEW QUESTION: 73

Refer to the exhibit.

	Company A	Company B
Cash	\$100	\$200
Accounts receivable	unknown	\$100
Accounts payable	\$100	\$50
Long-term debt	\$200	\$50
Sales	\$600	\$5,800
Cost of goods sold	\$300	\$5,000
Administrative expenses	\$100	\$500
Depreciation expense	\$100	\$100
Interest expense	\$20	\$10

Presented below are partial year-end financial statement data (000 omitted from dollar amounts) for companies A and B:
If company A has a quick ratio of 2:1, then it has an accounts receivable balance of:

- A. \$100
- B. \$500
- C. \$200
- D. \$300

Answer: (SHOW ANSWER)

NEW QUESTION: 74

The following data are available from the records of a department store for the year ended December 31, Year 1:

	<u>At cost</u>	<u>At retail</u>
Merchandise inventory, as of January 1, Year 1	US \$ 9,000	US \$13,000
Purchases	33,000	46,000
Markups (net)		1,000
Markdowns (net)		4,000
Sales		48,000

Using the retail method to approximate valuation at lower of average cost or net realizable value, the department store's merchandise inventory at December 31, Year 1 is

- A. US \$8.400
- B. US T3.900

C. Ur \$6,000]

D. US \$5,600

Answer: (SHOW ANSWER)

The version of the retail method that approximates a lower-of-average-cost-or-NRV valuation includes markups but not markdowns in the cost-to-retail ratio. Thus, the cost of the inventory at December 31, Year 1 is US \$5,600.

	Cost	Retail
Inventory, January 1, Year 1	US \$ 9,000	US \$ 13,000
Purchases	33,000	46,000
Markups, net		1,000
	<u>US \$42,000</u>	60,000
Sales		(48,000)
Markdowns, net		<u>(4,000)</u>
Inventory at retail, December 31, Year 1		8,000
Cost-to-retail ratio (US \$42,000 ÷ \$60,000)		× .70
Inventory at cost, December 31, Year 1		<u>US \$ 5,600</u>

NEW QUESTION: 75

Which of the following statements about slack time and milestones are true?

1. Slack time represents the amount of time a task may be delayed without delaying the entire project.
2. A milestone is a moment in time that marks the completion of the project's major deliverables.
3. Slack time allows the project manager to move resources from one task to another to ensure that the project is finished on time.
4. A milestone requires resource allocation and needs time to be completed.

A. 1, 2, 3, and 4

B. 1, 2, and 3 only

C. 1 and 4 only

D. 2 and 3 only

Answer: B (LEAVE A REPLY)

NEW QUESTION: 76

What is RST's acid-test or quick ratio at the end of Year 6?

A. 2.40 to 1

B. 2.18 to 1

C. 2.00 to 1

D. 1.50 to 1

Answer: (SHOW ANSWER)

Liquidity ratios measure the ability to meet short-term obligations. A commonly used liquidity ratio is the acid-test or quick ratio, which equals the sum of the quick assets net accounts receivable, financial assets held for trading, and cash) divided by current liabilities. This ratio at the end of Year 1 is 2.0 [(US \$5,000 + \$3,000 + \$16,000) ÷ \$12,000]. RST Corporation's Income Statement for Year 5 and Year 6

	Year 6	Year 5
Sales (all are credit)	US \$285,000	US \$200,000
Cost of goods sold	150,000	120,000
Gross profit	135,000	80,000
S and A expense	65,000	35,000
Profit bef. int. & inc. tax	70,000	45,000
Interest expense	3,000	3,000
Profit before income tax	67,000	41,000
Income tax expense	27,000	16,000
Profit	US \$ 40,000	US \$ 25,000

RST Corporation's Balance Sheets End of Year 5 and Year 6

Assets	Year 6	Year 5
Current assets		
Cash	US \$ 5,000	US \$ 4,000
Financial assets held for trading	3,000	2,000
Accounts receivable (net)	16,000	14,000
Inventory	30,000	20,000
Total current assets	54,000	40,000

Noncurrent assets:		
Long-term investments	11,000	11,000
PP&E	80,000	70,000
Intangibles	3,000	4,000
Total assets	US \$148,000	US \$125,000
Liabilities and Equity		
Current liabilities:		
Accounts payable	US \$ 11,000	US \$ 7,000
Accrued payables	1,000	1,000
Total current liabilities	12,000	8,000
Bonds payable, 10%, due Year 12	30,000	30,000
Total liabilities	\$ 42,000	\$ 38,000
Equity:		
Ordinary shares, 2,400 shares, US \$10 par	\$ 24,000	\$ 24,000
Retained earnings	82,000	63,000
Total equity	106,000	87,000
Total liabilities and equity	US \$148,000	US \$125,000

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NEW QUESTION: 77

An internal auditor is deriving cash flow data based on an incomplete set of facts. Bad debt expense was US \$2,000. Additional data for this period follows:

Credit sales	US \$100,000
Gross accounts receivable -- beginning balance	5,000
Allowance for bad debts -- beginning balance	(500)
Accounts receivable written off	1,000
Increase in net accounts receivable (after subtraction of allowance for bad debts)	30,000

How much cash was collected this period on credit sales?

- A. US \$64,000
- B. US \$68,000
- C. US \$68,500

D. US \$70,000

Answer: B (LEAVE A REPLY)

The beginning balance of gross accounts receivable (A/R) was US \$5,000 (debit). Thus net beginning A/R was US \$4,500 (\$5,000 - \$660 credit in the allowance for bad debts). The allowance was credited for the US \$2,000 bad debt expense. Accordingly, the ending allowance credit) was US \$1,500 (\$500 - \$1,000 write-off - \$2,000). Consequently, a US \$30,000 increase net A/R. ending net A/R must have been US \$34,500 (\$4,500 beginning net A/R + \$30,000), with ending gross A/R of US \$36,000 (\$34,500 + \$1,500). Collections were therefore US \$68,000 (\$5,000 beginning gross A/R - \$1,000 write-off + \$100,000)

Gross A/R	
US \$ 5,000 Beg. Bal.	US \$ 1,000 Write-off
100,000 Cr. Sales	68,000 Collections
US \$ 36,000 End. Bal.	

NEW QUESTION: 78

The most common computer-related problem confronting organizations is:

- A. Hardware malfunction.
- B. Input errors and omissions.
- C. Disruption to computer processing caused by natural disasters.
- D. Fraud.

Answer: B (LEAVE A REPLY)

The most common problem confronting an organization in its use of computers is erroneous or incomplete input. Input is especially susceptible to errors and omissions because of the substantial human intervention required. Comprehensive and effective input controls are necessary ensure that data stored in files or used in processing are not contaminated.

NEW QUESTION: 79

When assessing application controls, which one of the following input controls or edit checks is most likely to be used to detect a data input error in the customer account number field?

- A. Limit check.
- B. Validity check.
- C. Control total.
- D. Hash total.

Answer: (SHOW ANSWER)

Validity checks are tests of identification numbers or transaction codes for validity by comparison with items already known to be correct or authorized. For example, Social Security numbers on payroll input records can be compared with Social Security numbers authorized by the personnel department.

NEW QUESTION: 80

The expected payoff if the vendor has perfect information is:

- A. US \$3,900
- B. US \$2,200
- C. US \$1,360
- D. US \$1,960

Answer: B (LEAVE A REPLY)

The vendor would like to sell coffee on cold days (US \$2,000) and soft drinks on hot days (US \$2,500). Hot days are expected 40% of the time. Hence, the probability is 40% of making US \$2,500 by selling soft drinks. The chance of making US \$2,000 by selling coffee is 60%. The payoff equation is:

$$.4 \text{ US } \$2,500 + .6 \text{ US } \$2,000 = \text{US } \$2,200$$

A beverage stand can sell either soft drinks or coffee on any given day. If the stand sells soft drinks and the weather is hot, it will make US \$2,500; if the weather is cold, the profit will be US \$1,000. If the stand sells coffee and the weather is hot, it will make US \$1,900; if the weather is cold, the profit will be US \$2,000. The probability of cold weather on a given day at this time is 60%.

NEW QUESTION: 81

The purpose of the economic order quantity model is to:

- A. Minimize the safety stock.
- B. Minimize the sum of the order costs and the holding costs.
- C. Minimize the inventory quantities.
- D. Minimize the sum of the demand costs and the backlog costs.

Answer: B (LEAVE A REPLY)

The purpose of the EOQ model is to minimize the sum of inventory order costs (or production setup) and holding (carrying) costs. The EOQ equals the square root of twice the annual demand multiplied by the variable cost per order, divided by the unit periodic holding cost.

NEW QUESTION: 82

When a perpetual inventory system is used and a difference exists between the perpetual inventory amount balance and the physical inventory count, a separate entry is needed to adjust the perpetual inventory amount. Which of the following demonstrates that adjusting entry?

- A. Inventory over and short Inventory
- B. Extraordinary loss due to write-down of inventory
- C. Extraordinary loss due to write-down of inventory Allowance for inventory shortages
- D. Cost of goods sold Retained earnings appropriated for shortages

Answer: A (LEAVE A REPLY)

The entry to record a write-down is a debit to inventory over and short and a credit to inventory. This amount is reported as an adjustment of cost of goods sold or as an other expense on the income statement.

NEW QUESTION: 83

A cost-volume-profit model developed in a dynamic environment determined that the estimated parameters used may vary between limits. Subsequent testing of the model with respect to all possible values of the estimated parameters is termed:

- A. A sensitivity analysis.
- B. Statistical estimation.
- C. Statistical hypothesis testing.
- D. A time-series study.

Answer: A (LEAVE A REPLY)

After a problem has been formulated into any mathematical model, it may be subjected to sensitivity analysis. Sensitivity analysis examines how the model's outcomes change as the parameters change.

NEW QUESTION: 84

Truth-in-lending laws most likely are intended to:

- A. Regulate the amount of interest that may be charged.
- B. Allow immediate wage garnishment by creditors.
- C. Prohibit the use of usurious interest rates.
- D. Disclose the finance charge and the annual percentage rate.

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

Truth-in-lending laws are disclosure statutes. They typically apply to creditors that extend consumer credit to individual debtors. Examples of disclosures for a closed-end credit transaction, e.g., the typical car loan, include the total finance charge. Annual percentage interest rate, amount financed, late charges, security interest held by the creditor, the number and amounts of payments, due dates, and the total amount of payments.

NEW QUESTION: 85

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

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

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

NEW QUESTION: 86

Organizations use matrix management to accomplish which of the following?

- A. To increase lateral communication.
- B. To focus better on a single market.
- C. To improve the chain of command.
- D. To strengthen corporate headquarters.

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

NEW QUESTION: 87

Inefficient use of excess computer equipment can be controlled by

- A. Contingency planning.
- B. System feasibility studies.
- C. Capacity planning.
- D. Exception reporting.

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

Planning is as important for the information systems function as for any other part of the organization. The master plan for this function should be consistent with the strategic plan for the organization and include goals and objectives, an inventory of current capacity, and a forecast of future needs. The plan is the basis for determining hardware needs.

NEW QUESTION: 88

A large hospital has an existing contract with a vendor in another country to provide software support and maintenance of the hospital's patient records information system. From the hospital management's perspective, which of the following controls would be most effective to address privacy risks related to this outsourcing arrangement?

- A. Develop an incident monitoring and response plan to track breaches from internal and external sources
- B. Include a "right to audit" clause in the contract and impose detailed security obligations on the outsourced vendor
- C. Implement mandatory privacy training for management to help with identifying privacy risks when outsourcing services
- D. Conduct periodic reviews of the privacy policy to ensure that the existing policy meets current legislation requirements in both regions.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 89

RLF Corporation had profit before taxes of US \$60,000 for the year. Included in this amount were depreciation of US \$5,000, a charge of US \$6,000 for the amortization of bond discounts, and US \$4,000 for interest expense. The estimated cash flow for the period is:

- A. US \$60,000
- B. US \$66,000
- C. US \$49,000
- D. US \$71,000

Answer: D (LEAVE A REPLY)

To determine cash flow for the period, all noncash expenses should be added back to profit. Adding the US \$5,000 of depreciation and the US \$6,000 of discount amortization to the US \$60,000 of profit produces a cash flow of US \$71,000.

NEW QUESTION: 90

Which of the following statements is true regarding an organization's inventory valuation?

- A. The valuation will be correct if the inventory includes goods received on consignment from another organization
- B. The valuation will be correct if the inventory includes goods sent on consignment to another organization
- C. The valuation will be incorrect if the inventory includes goods in transit shipped free on board (FOB) destination to another organization
- D. The valuation will be incorrect if the inventory includes goods in transit shipped FOB shipping point from another organization

Answer: A (LEAVE A REPLY)

NEW QUESTION: 91

In an organization where enterprise risk management practices are mature, which of the following is a core internal audit role?

- A. Developing the risk management strategy for the board's approval.
- B. Giving assurance that risks are evaluated correctly.
- C. Coaching management in responding to risk.
- D. Facilitating the identification and evaluation of risks.

Answer: B (LEAVE A REPLY)

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NEW QUESTION: 92

The errors cause the reported retained earnings at December 31, Year 4, to be:

- A. Overstated by US \$65,000.
- B. Overstated by US \$32,000.
- C. Overstated by US \$25,000.
- D. Understated by US \$18,000.

Answer: (SHOW ANSWER)

The Year 3 inventory error reversed in Year 4 (excluding tax considerations) and therefore had no effect on reported retained earnings at December 31, Year 4. The US \$15,000 inventory error at year-end Year 4 and the failure to accrue US \$10,000 of expenses for Year 4 both overstated retained earnings as well as 4 year profit. The omission of US \$7,000 of depreciation overstated Year 3 net income and Year 3 and Year 4 retained earnings. Hence, the net effect of the errors on December 31, Year 4, retained earnings was a US \$32,000 (\$0 + \$15,000 + \$7,000 + \$10,000) overstatement.

NEW QUESTION: 93

To keep costs at a minimum and decrease the completion time by 1-1/2 days, Networks, Inc. should crash activity(ies):

- A. AD and AB
- B. DE
- C. AD
- D. AB and CE

Answer: A (LEAVE A REPLY)

The critical (longest) path is A-D-E, which has an expected time of 13 days (5.5 + 7.5). However, to decrease the project's completion time by 1.5 days, paths A-B-C-E (4.5 + 1.0 + 6.5 = 12 days) and A-B-D-E (4.5 + .5 + 7.5 = 12.5 days) as well as A-D-E must also be shortened. Hence, A-D-E must be reduced by 1.5 days. A-B-C-E by .5 day, and A-B-D-E by 1.0 day. The only way to decrease A-D-E by 1.5 days is to crash activity AD (5.5 expected time - 4.0 crash time = 1.5 days). Crashing DE results in a 1.0-day saving (7.5 - 6.5) only. Crashing AB is the efficient way to reduce both A-B-C-E and A-B-D-E by the desired amount of time because it is part of both paths. The incremental cost of crashing AB is US \$1,000 (US \$4,000 crash cost - US \$3,000 normal cost) to shorten the completion time by 1.0 day (4.5 - 3.5). The alternatives for decreasing both A-B-C-E and A-B-D-E are more costly.

NEW QUESTION: 94

For employees, the primary value of implementing job enrichment is which of the following?

- A. Validation of the achievement of their goals and objectives
- B. Support for personal growth and a meaningful work experience
- C. An increased opportunity to manage better the work done by their subordinates

D. Increased knowledge through the performance of additional tasks

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 95

Business process reengineering is most likely to:

- A. Implement modern information systems technology to eliminate some controls.
- B. Be applied within individual departments.
- C. Improve existing procedures.
- D. Apply a continuous improvement model.

Answer: ([SHOW ANSWER](#))

Reengineering and TQM techniques eliminate many traditional controls. They exploit modern technology to improve productivity and decrease the number of clerical workers. Thus, controls should be automated and self-correcting and require minimal human intervention. Moreover, auditors must be prepared to encounter (and use) new technologies. The emphasis therefore shifts to monitoring so management can determine when an operation may be out of control and corrective action is needed.

NEW QUESTION: 96

Which of the following security controls would provide the most efficient and effective authentication for customers to access these online shopping account?

- A. Security question feature.
- B. Voice recognition feature.
- C. 12-digit password feature.
- D. Two-level sign-on feature

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 97

Which stage in the industry life cycle is characterized by many different product variations?

- A. Decline.
- B. Maturity.
- C. Growth.
- D. Introduction.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 98

The Entity has dividend-payout ratio of:

- A. 19.6%
- B. 28.6%
- C. 40.0%
- D. 50.0%

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

The dividend-payout ratio is the ratio of dividends paid to profit for the period. Hence, it equals 50.0% US \$100 dividends \$200 profit). An entity's financial statements for the current year are presented below:

<u>Balance Sheet</u>	
Cash	US \$100
Accounts receivable	200
Inventory	50
Net fixed assets	600
Total	US \$950
Accounts payable	140
Long-term debt	300
Share capital	260
Retained earnings	250
Total	950

<u>Statement of Income and Retained Earnings</u>	
Sales	US \$3,000
Cost of goods sold	1,600
Gross profit	1,400
Operations expenses	970
Operating profit	430
Interest expense	30
Profit before tax	400
Income tax	200
Profit	200
Plus Jan. 1 retained earnings	150
Minus dividends	100
Dec. 31 retained earnings	US \$ 250

NEW QUESTION: 99

Which of the following is the elementary unit of data storage used to represent individual attributes of an entity?

- A. Database.
- B. Data field.
- C. File.
- D. Record.

Answer: (SHOW ANSWER)

A data item or field) is a group of characters. It is used to represent individual attributes of an entity, such as an employee's address. A field is an item in a record.

NEW QUESTION: 100

According to IIA guidance, which of the following is a typical risk associated with the tender process and contracting stage of an organization's IT outsourcing life cycle?

- A. There is increased potential for loss of assets.
- B. There is a lack of alignment to organizational strategies.
- C. The operational quality is less than projected.
- D. The process is not sustained and is not optimized as planned.

Answer: (SHOW ANSWER)

NEW QUESTION: 101

The process of scenario planning begins with which of the following steps?

- A. Selecting the issue or decision that will impact how the organization conducts future business.
- B. Determining the trends that will influence key factors in the organization's environment.

- C. Identifying how customers, suppliers, competitors, employees, and other stakeholders will react.
- D. Selecting leading indicators to alert the organization of future developments.

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

NEW QUESTION: 102

According to IIA guidance on IT, which of the following best describes a situation where data backup plans exist to ensure that critical data can be restored at some point in the future, but recovery and restore processes have not been defined?

- A. Hot recovery plan.
- B. Cold recovery plan.
- C. Warm recovery plan.
- D. Absence of recovery plan.

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

NEW QUESTION: 103

A company using EDI tracked the functional acknowledgments from trading partners and issue warning messages if acknowledgments did not occur within a reasonable length of time. What risk was the company attempting to address by this practice?

- A. Transactions that have not originated from a legitimate trading partner may be inserted into the EDI network.
- B. Transmission of EDI transactions to trading partners may sometimes fail.
- C. There may be disagreement between the parties as to whether the EDI transactions form a legal contract.
- D. EDI data may not be accurately and completely processed by the EDI software.

Answer: ([SHOW ANSWER](#))

Tracking of customers' functional acknowledgments, when required, will help to ensure successful transmission of EDI transactions. Some possible controls include the provision of end-to-end acknowledgments, particularly when multiple, interconnected networks are involved, and maintenance of a tickler file of outstanding functional acknowledgments, with issuance of warnings for those that are overdue.

NEW QUESTION: 104

A small software development firm designs and produces custom applications for businesses. The application development team consists of employees from multiple departments who all report to a single project manager. Which of the following organizational structures does this situation represent?

- A. Functional departmentalization.
- B. Divisional organization
- C. Product departmentalization
- D. Matrix organization.

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

NEW QUESTION: 105

Which of the following represents an inventory costing technique that can be manipulated by management to boost net income by selling units purchased at a low cost?

- A. First-in, first-out method (FIFO).

- B. Last-in, first-out method (LIFO).
- C. Average-cost method
- D. Specific identification method.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 106

An analysis of an entity's US \$150,000 accounts receivable at year-end resulted in a US \$5,000 ending balance for its allowance for uncollectible accounts and a bad debt expense of US \$2,000. During the past year recoveries on bad debts previously written off were correctly recorded at US \$500. If the beginning balance in the allowance for uncollectible accounts was US \$4,700. What was the amount of accounts receivable written off as uncollectible during the year?

- A. US \$1,200
- B. US \$1,800
- C. US \$2,200
- D. US \$2,800

Answer: (SHOW ANSWER)

Under the allowance method, uncollectible accounts are written off by a debit to the allowance account and a credit to accounts receivable. The US \$500 bad debts is accounted for by a debit to accounts receivable and a credit to the allowance account. The US \$2,000 bad debt expense is also credited to the allowance account. The amount of accounts receivable written off as uncollectible is US \$2,200 [$\$5,000$ ending allowance $\$4,700$ beginning allowan.,8 + $\$500$ recoveries + $\$2,000$ bad debt expense)].

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NEW QUESTION: 107

ABC entities, a manufacturer lesser, leased a chine to XYZ on January 1. The lease meets the criteria for a finance lease. Title to the asset will automatically pass to the lessee at the end of the lease term. Other details are as follow:

Lease term	10 years
Useful life of the asset	10 years
Cost of the leased asset to the lessor	US \$55,000
Annual payment payable at the beginning of each year, beginning January 1	US \$10,000
Implicit interest rate	10%
Present value of an annuity due of 1 discounted for 10 years at 10%	6.7590
Present value of 1 due in 10 years discounted at 10%	3855

Assuming the fair value of the asset is at least equal to the present value of the minimum lease payments, the journal entry to record the inception of this lease on the laser's books at January 1 is:

A.	Leased machine	US \$67,590		
	Lease liability		US \$57,590	
	Cash		10,000	
B.	Lease payments receivable	US \$90,000		
	Cash	10,000		
	Cost of sales	55,000		
	Inventory		US \$55,000	
	Unearned finance income--leases		45,000	
	Sales		55,000	
C.	Lease payments receivable	US \$90,000		
	Cash	10,000		
	Finance income		US \$32,410	
	Gross profit on lease		12,590	
	Inventory		55,000	
D.	Lease payments receivable	US \$90,000		
	Cash	10,000		
	Cost of sales	55,000		
	Sales		US \$67,590	
	Inventory		55,000	
	Unearned finance income--leases		32,410	

- A. Option A
- B. Option B
- C. Option C
- D. Option D

Answer: D (LEAVE A REPLY)

For this finance lease, the manufacturer-lessor should record

1. As gross investment, the minimum lease payments because there
2. As net investment, the difference between the gross investment in the lease and unearned finance income a credit to a liability
3. As unearned finance income the difference between the gross investment gross investment discounted at the interest rate implicit in the lease)
4. As sales revenue the fair value of the asset or if lower, the present value payments computed at the interest rate implicit in the lease
5. As cost of goods sold, the cost of the leased asset Because the first payment is made at the inception of the lease. the payment structure is that of annuity due. Sales revenue is therefore equal to the US \$10,000 periodic payment times the present value of an annuity due of 1 discounted for 10 years at 10% (US \$10,000 6.7590 = US \$67,590). Given that cash is paid at the beginning of the year, the initial 10,000 cash debit immediately decreases the gross investment in the lease payments receivable) from US \$100,000 to US \$90,000. The cost of the leased asset (US \$55,000) must also be charged to cost of sales and credited to inventory. Finally, at the inception of the lease, unearned finance income equals the difference between the gross investment and the sales price (US \$100,000 - US \$67,590 = US \$32,410).

NEW QUESTION: 108

Which of the following is an example of a physical control?

- A. Establishing a physical security policy and promoting it throughout the organization
- B. Keeping an offsite backup of the organization's critical data
- C. Providing fire detection and suppression equipment
- D. Performing business continuity and disaster recovery planning

Answer: (SHOW ANSWER)

NEW QUESTION: 109

A working capital technique that increases the payable float and therefore delays the outflow of cash is:

- A. Concentration banking.
- B. A draft.
- C. Electronic Data Interchange EDO.
- D. A lockbox system.

Answer: B (LEAVE A REPLY)

Payment by draft, a three-party instrument in which the drawer orders the drawee to pay money to the payee, is a means of slowing cash outflows. A check is the most common type of draft. Check float arises from the delay between an expenditure and the clearing of the check through the banking system.

NEW QUESTION: 110

Organizations use matrix management to accomplish which of the following?

- A. To focus better on a single market.
- B. To increase lateral communication.
- C. To strengthen corporate headquarters.
- D. To improve the chain of command.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 111

Which of the following financial instruments can be traded in international money markets?

- A. Mortgages.
- B. Preference shares.
- C. U.S. Treasury bills.
- D. U.S. Treasury bonds.

Answer: (SHOW ANSWER)

Funds are borrowed or lent for short periods (less than one year) in money markets. Examples of instruments traded in money markets are U.S. Treasury bills, bankers' acceptances, commercial paper, negotiable certificates of deposit, money market mutual funds, Eurodollar market time deposits, and consumer, credit loans. Capital markets trade shares and long-term debt.

NEW QUESTION: 112

Preferred stock has [List A] like common stock and [List B] payment like bonds.

List A

List B

A maturity date

A fixed periodic

No maturity date

No fixed periodic

A maturity date

No fixed periodic

No maturity date

A fixed periodic

Answer:

pending

A. B. C. D.

NEW QUESTION: 113

In the computation of DEPS, which of the following are potential ordinary shares?

	Nonconvertible Preference Shares	Share Options
A.	Yes	No
B.	Yes	Yes
C.	No	Yes
D.	No	No

A. Option A

B. Option B

C. Option C

D. Option D

Answer: C (LEAVE A REPLY)

Potential ordinary shares are contracts that may entitle holders to obtain ordinary shares. They include options, warrants, convertible preference shares, convertible debt, and contingently issuable shares. Unlike an option nonconvertible preference shares are never potential ordinary shares.

NEW QUESTION: 114

If the central bank of a country raises interest rates sharply, the country's currency will likely:

A. Increase in relative value.

B. Remain unchanged in value.

C. Decrease in relative value.

D. Decrease sharply in value at first and then return to its initial value.

Answer: (SHOW ANSWER)

Exchange rates fluctuate depending upon the demand for each country's currency. If a country raises its interest rates, its currency will appreciate. The demand for investment at the higher interest rates will shift the demand curve for the currency to the right. The reverse holds true for a decrease in interest rates.

NEW QUESTION: 115

The correct order of the following steps of the accounting cycle is:

A. Posting, closing, adjusting, reversing.

B. Posting, adjusting, closing, Reversing

C. Posting, reversing, adjusting, closing.

D. Adjusting, posting, closing, Reversing

Answer: (SHOW ANSWER)

The order of the steps in the accounting cycle is identification and measurement of transactions and other events required to be recognized, journalization, posting from the journals to the ledgers, the development of a trial balance, adjustments to produce an

adjusted trial balance. statement presentation, closing, taking a post closing trial balance optional), and making reversing enterprise optional).

An entity is in the equipment rental business. Part of its unadjusted trial balance at December 31 is as follows:

Cash	US \$	17,400
Prepaid insurance		3,600
Property, plant, and equipment		180,000
Accumulated depreciation		32,000
Accounts payable		12,000
Share capital		60,000
Retained earnings		38,000
Rental revenue		171,000
Salaries and wages expense		80,000
Utilities expense		14,000

On October 1, year 1, the entity paid us\$ 18,000 to renew its only insurance policy for a 3year period beginning on that date this transaction has not been recorded. salaries and wages of us\$1,700 have been incurred but not paid as of December 31,year1.at December 31,year 1,the balance per bank statement was US\$12,000.outstanding cheaks amounted to US \$,900.interest of US \$40 was credited to the entity's account by the bank during December, but has not yet been entered on the books.

NEW QUESTION: 116

An organization invests excess snort-term cash in trading securities. When of the following actions should an internal auditor take to test the valuation of those securities?

- A. Confirm the securities held by the broker
- B. Perform a calculation of premium or discount amortization.
- C. Compare the carrying value with current market quotations
- D. Use the equity method to recalculate the investment carrying value

Answer: C (LEAVE A REPLY)

NEW QUESTION: 117

Which of the following is usually not a feature of cumulative preference shares?

- A. Has priority over ordinary shares with regard to earnings.
- B. Has priority over ordinary shares with regard to assets.
- C. Has voting rights.
- D. Has the right to receive dividends in arrears before ordinary share dividends can be paid.

Answer: C (LEAVE A REPLY)

Preference shares do not usually have voting rights. Preference shareholders are usually given the right to vote for directors only if the entity has not paid the preference dividend for a specified period of time, such as 10 quarters. Such a provision is an incentive for management to pay preference dividends.

NEW QUESTION: 118

Which of the following statements is true regarding change management?

- A. Changes are only required by software programs
- B. To protect the production environment, changes must be managed in a repeatable, defined, and predictable manner
- C. Program changes generally are developed and tested in the production environment.
- D. The degree of risk associated with a proposed change determines whether the change request requires authorization

Answer: B (LEAVE A REPLY)

NEW QUESTION: 119

The carrying costs associated with inventory management include:

- A. Insurance costs, shipping costs, storage costs, and obsolescence.
- B. Storage costs, handling costs, capital invested, and obsolescence.
- C. Purchasing costs, shipping costs, setup costs, and quantity discounts lost.
- D. Obsolescence, setup costs, capital invested, and purchasing costs.

Answer: B (LEAVE A REPLY)

Carrying costs include storage costs, handling costs, insurance costs, interest on capital invested, and obsolescence. Candman Company is a wholesale distributor of candy. The company leases space in a public warehouse and is charged according to the square feet occupied. Candman has decided to employ the economic order quantity (EOQ) method to determine the optimum number of cases of candy to order. The company placed 2,400 orders last year. Data for the high-activity month, the low-activity month, and the year for the purchasing and warehouse operations appear in the next column. The annual charges for the warehouse totaled US \$12,750 last year. In addition, the annual insurance and property taxes on the candy stored in the warehouse amounted to US \$1,500 and US \$2,250, respectively.

The average monthly inventory last year was US \$75,000.

NEW QUESTION: 120

A corporation had profit for the year of US \$101,504 and a simple capital structure consisting of the following ordinary shares outstanding:

<u>Months Outstanding</u>	<u>Number of Shares</u>
January - February	24,000
March - June	29,400
July - November	36,000
December	35,040
Total	<u>124,440</u>

What was the corporation's basic earnings per share rounded to the nearest cent)?

- A. US \$2.90
- B. US \$3.20
- C. US \$3.26
- D. US \$3.45

Answer: B (LEAVE A REPLY)

BEPS equals profit or loss attributable to ordinary equity holders divided by the weighted-average number of ordinary shares outstanding. The latter is calculated as follows:

24,000 × (2 ÷ 12)	=	4,000
29,400 × (4 ÷ 12)	=	9,800
36,000 × (5 ÷ 12)	=	15,000
35,040 × (1 ÷ 12)	=	<u>2,920</u>
		<u>31,720</u>

C:\Documents and Settings\usernwz1\Desktop\1.PNG Accordingly, BEPS is US \$3.20 (\$101,504 profit ÷ 31,720 shares).

NEW QUESTION: 121

If bonds are initially sold at a discount and the effective-interest method of amortization is used:

- A. Interest expense in the earlier periods will be less than interest expense in the later periods.

- B. Interest expense in the earlier periods will be greater than interest expense in the later periods.
- C. Interest expense will equal the cash interest payment each period.
- D. Interest expense will be less than the cash interest payment each period.

Answer: A (LEAVE A REPLY)

Interest expense equals the carrying amount of the liability at the beginning of the period times the effective interest rate. The carrying amount of the liability equals the face amount of the bond minus the discount. As the discount is amortized over the life of the bond, the carrying amount increases, Consequently, the interest expense increases over the term of the bond.

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NEW QUESTION: 122

Which of the following should the auditor recommend as the most economical point at which to correct input errors in an online system?

- A. Input data are balanced with computer-produced control totals.
- B. Entry of data into each field of a record is completed.
- C. Output data are balanced with computer-produced control totals and delivered to the user.
- D. Entry of data into each record is completed.

Answer: B (LEAVE A REPLY)

The most economical point at which to correct input errors is at the earliest time after the data has been entered into the system. The earliest point is the entry of data into each field of a record. Errors can easily be rectified because the proper information is already available.

NEW QUESTION: 123

Listed below are selected line items from the cost-of-quality report for Company B for last month.

Category	Amount
Rework	US \$ 725
Equipment maintenance	1,154
Product testing	786
Product repair	695

What is Company B's total prevention and appraisal cost for last month?

- A. US\$786
- B. US\$1,154
- C. US\$1,940
- D. US\$2,665

Answer: C (LEAVE A REPLY)

Prevention costs are incurred to prevent defects from occurring. An example is equipment maintenance. Appraisal costs are incurred to detect defective output during and after the production process. An example is product testing. Thus, total prevention and appraisal cost for the month equals US \$1,940 (US \$1,154 +US \$786).

NEW QUESTION: 124

Some economic indicators lead the economy into a recovery or recession, and some lag it. An example of a lag variable is:

- A. Chronic unemployment.
- B. Orders for consumer and producer goods.
- C. Housing starts.
- D. Consumer expectations.

Answer: A (LEAVE A REPLY)

Economists use a variety of economic indicators to forecast turns in the business cycle. Economic indicators are variables that in the past have had a high correlation with aggregate economic activity. The best known are the composite indexes calculated by The Conference Board, a private research group with more than 2,700 corporate and other members worldwide. Indicators may lead, lag, or coincide with economic activity. The Conference Board's lagging indicators include average duration of unemployment in weeks, the change in the index of labor cost per unit of output, the average prime rate charged by banks, the ratio of manufacturing and trade inventories to sales, the commercial and industrial loans outstanding, the ratio of consumer installment credit outstanding to personal income, and the change in the CPI for services.

NEW QUESTION: 125

The journal entry required to close the utilities expense account is

- A. Utilities expense US \$1,400 Income summary US \$1,400
- B. Income Summary US \$1,400 Utilities expense US \$1,400
- C. Rental expense US \$1,400 Utilities expense US \$1,400
- D. Utilities expense US \$1,400 Retained earnings US \$1,400

Answer: (SHOW ANSWER)

All income statement account balances are closed either to a summary account such as income summary or revenue and expense summary) or to retained earnings. The normal balance of an expense account is a debit. Thus, an expense account is credited in a closing entry.

NEW QUESTION: 126

Of the following, the greatest advantage of a database server) architecture is:

- A. Data redundancy can be reduced.
- B. Conversion to a database system is inexpensive and can be accomplished quickly.
- C. Multiple occurrences of data items are useful for consistency checking.
- D. Backup and recovery procedures are minimized.

Answer: A (LEAVE A REPLY)

Data organized in files and used by the organization's various applications programs are collectively known as a database. In a database system, storage structures are created that render the applications programs independent of the physical or logical arrangement of the data. Each data item has a standard definition, name, and format, and related items are linked by a system of pointers. The programs therefore need only to specify data items by name, not by location. A database management system

handles retrieval and storage. Because separate files for different applications programs are unnecessary, data redundancy can be substantially reduced.

NEW QUESTION: 127

In a statement of cash flows in direct method, depreciation expense should be presented as:

- A. An inflow of cash.
- B. An outflow of cash.
- C. An addition to profit in converting profit or loss to net cash flows from operating activities.
- D. A deduction from profit in converting profit or loss to net cash flows from operating activities.

Answer: (SHOW ANSWER)

Net cash flow from used by operating activities may be reported indirectly by removing from profit or loss the effects of 1) deferrals of past operating cash flows, 2) accruals of expected future operating cash flows, 3) income or expense items related to financing and investing cash flows, and 4) noncash transactions. These adjustments include such items as depreciation, amortization of patents, amortization of bond discount and bond premium gains and losses, changes during the period in trade receivables, changes in inventory, and changes in accounts payable and accrued liabilities. In the reconciliation of profit or loss to net cash from used by) operations, depreciation a noncash expense) is added to profit or loss.

NEW QUESTION: 128

Which of the following is likely to be a benefit of electronic data interchange (EDI)?

- A. Increased transmission speed of actual documents.
- B. Improved business relationships with trading partners.
- C. Decreased liability related to protection of proprietary business data.
- D. Decreased requirements for backup and contingency planning.

Answer: B (LEAVE A REPLY)

Electronic data interchange is the electronic transfer of documents between businesses. EDI was developed to enhance just-in-time (JIT) inventory management. Advantages include speed, reduction of clerical errors, and elimination of repetitive clerical tasks and their costs. Improved business relationships result because of the mutual benefits conferred by EDI. Accordingly, some organizations require EDI.

NEW QUESTION: 129

A bank is developing a computer system to help evaluate loan applications. The information systems (IS) staff interview the bank's mortgage underwriters to extract their knowledge and decision processes for input into the computer system. The completed system should be able to process information the same as do the underwriters and make final recommendations regarding loan decisions. This approach is called:

- A. An expert system.
- B. A neural network.
- C. An intelligent agent.
- D. Fuzzy logic.

Answer: (SHOW ANSWER)

An expert system is a knowledge-intensive computer program that captures the expertise of a human in limited domains of knowledge.

NEW QUESTION: 130

Business process reengineering is most likely to:

- A. Implement modern information systems technology to eliminate some controls.
- B. Be applied within individual departments.
- C. Improve existing procedures.
- D. Apply a continuous improvement model.

Answer: A (LEAVE A REPLY)

Reengineering and TQM techniques eliminate many traditional controls. They exploit modern technology to improve productivity and decrease the number of clerical workers. Thus, controls should be automated and self-correcting and require minimal human intervention. Moreover, auditors must be prepared to encounter and use) new technologies.

The emphasis therefore shifts to monitoring so management can determine when an operation may be out of control and corrective action is needed.

NEW QUESTION: 131

In a business combination, the sum of the amounts assigned by the acquiring entity to assets acquired and liabilities incurred and assumed exceeds the consideration paid for the acquired entity. The excess should be reported as a:

- A. Deferred credit
- B. Reduction of the amounts assigned to current assets and a deferred credit for any unallocated portion.
- C. Gain immediately in profit or loss.
- D. Pro rata reduction of the amounts assigned to all acquired assets and a gain for any unallocated portion.

Answer: C (LEAVE A REPLY)

In a business combination, any excess of the fair value of the net assets acquired over the sum of the considerations transferred, any noncontrolling interests, and any previously held equity interest must be recognized immediately in profit or loss as a gain.

Before concluding that the identification and measurement of the acquirer's assets, liabilities etc must be reassessed.

NEW QUESTION: 132

Which of the following is a systems software control?

- A. Ensuring that all user requirements are documented.
- B. Performing of intrusion testing on a regular basis
- C. Housing servers with sensitive software away from environmental hazards.
- D. Restricting server room access to specific individuals

Answer: (SHOW ANSWER)

NEW QUESTION: 133

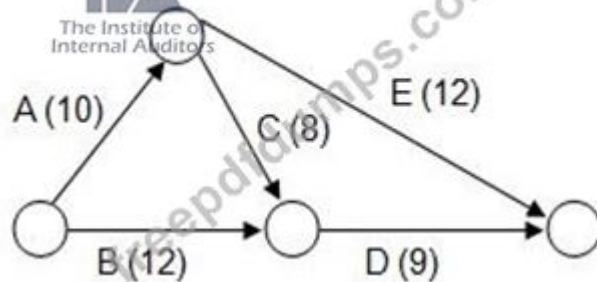
Which of the following best describes a man-in-the-middle cyber-attack?

- A. The perpetrator is able to delete data on the network without physical access to the device.
- B. The perpetrator is able to disable default security controls and introduce additional vulnerabilities
- C. The perpetrator is able to take over control of data communication in transit and replace traffic.
- D. The perpetrator is able to exploit network activities for unapproved purposes.

Answer: (SHOW ANSWER)

NEW QUESTION: 134

Refer to the exhibit.

Project Network (Activity Times in Days)

The figure below shows the network diagram for the activities of a large project. What is the shortest number of days in which the project can be completed?

- A. 21 days.
- B. 51 days.
- C. 22 days.
- D. 27 days.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 135

A desired result of the sharing of information by all functions and organizations in the supply chain is:

- A. Fewer rush orders.
- B. Maximization of inventories held by suppliers, manufacturers, and retailers.
- C. Stockouts.
- D. Incompatibility of the information systems of the parties.

Answer: (SHOW ANSWER)

Sharing information about sales, inventory, pricing, advertising campaigns, and sales forecasts by all functions and organizations in the supply chain moderates demand uncertainty for all parties. The desired results are a) minimization of inventories held by suppliers, manufacturers, and retailers; b) avoidance of stockouts; c) fewer rush orders; and d) production as needed by retailers.

NEW QUESTION: 136

The following transactions and events occurred during the year:

	January 1	December 31
Finished goods	\$90,000	\$260,000
Raw materials	\$105,000	\$130,000
Work in process	\$220,000	\$175,000

- \$300,000 of raw materials were purchased, of which \$20,000 were returned because of defects
- \$600,000 of direct labor costs were incurred.
- \$750,000 of manufacturing overhead costs were incurred.

What is the organization's cost of goods sold for the year?

- A. \$1.480.000
- B. \$1650 000
- C. \$1 500 000
- D. \$1,610.000

Answer: C (LEAVE A REPLY)

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NEW QUESTION: 137

Which of the following is a disadvantage in a centralized organizational structure?

- A. Vulnerabilities in sharing knowledge
- B. Loss of economies of scale
- C. Communication conflicts
- D. Slower decision making.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 138

During the recessionary phase of a business cycle,

- A. The purchasing power of money is likely to decline rapidly.
- B. The natural rate of unemployment will increase dramatically.
- C. Potential national income will exceed actual national income
- D. Actual national income will exceed potential national income.

Answer: C (LEAVE A REPLY)

There are four phases of a business cycle: trough, recovery, peak, and recession. During the recessionary phase of a business cycle, economic activities and employment levels contract and society's resources are underused. Because of the underuse of resources, potential national income will exceed actual national income.

NEW QUESTION: 139

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

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

Answer: A (LEAVE A REPLY)

NEW QUESTION: 140

An entity must select from among several methods of financing arrangements when meeting its capital requirements. To acquire additional growth capital while attempting to maximize earnings per share, an entity should normally

- A. Attempt to increase both debt and equity in equal proportions, which presences a stable capital structure and maintains investor confidence.
- B. Select debt over equity initially, even though increased debt is accompanied by interest costs and a degree of risk.
- C. Select equity over debt initially, which minimizes risk and avoids interest costs.
- D. Discontinue dividends and use current cash flow, which avoids the cost and risk of increased debt and the dilution of EPS through increased equity.

Answer: (SHOW ANSWER)

Earnings per share will ordinarily be higher if debt is used to raise capital instead of equity, provided that the entity is not over-leveraged. The reason is that the cost of debt is lower than the cost of equity because interest is tax deductible. However, the prospect of higher EPS is accompanied by greater risk to the entity resulting from required interest costs, creditors' liens on the entity's assets, and the possibility of a proportionately lower EPS if sales volume fails to meet projections.

NEW QUESTION: 141

Which of the following is true of matrix organizations?

- A. A combination of product and functional departments allows management to utilize personnel from various Junctions.
- B. Authority, responsibility and accountability of the units Involved may vary based on the project's life, or the organization's culture
- C. A unity-of-command concept requires employees to report technically, functionally, and administratively to the same manager.
- D. It is best suited for firms with scattered locations or for multi-line, Large-scale firms.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 142

A major disadvantage of the life cycle approach to system development is that it is not well-suited for projects that are:

- A. Structured.
- B. Large.
- C. Complex.
- D. Unstructured.

Answer: (SHOW ANSWER)

The life cycle approach is best employed when systems are large and highly structured, users understand the tasks to be performed by the information system, and the developers have directly applicable experience in designing similar systems. In the life cycle process. each stage of development is highly structured, and requirements are clearly defined. However, when the task is unstructured, prototyping may be the better approach.

NEW QUESTION: 143

An organization produces two products, X and

Y. The materials used for the production of both products are limited to 500 kilograms (kg) per month. All other resources are unlimited and their costs are fixed. Individual product details are as follows:

Product X

Product Y

Selling price per unit

\$10

\$13

Materials per unit (at \$1/kg)

2 kg

6 kg

Monthly demand

100 units

120 units

In order to maximize profit, how much of product Y should the organization produce each month?

A. 50 units.

B. 120 units.

C. 100 units.

D. 60 units.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 144

An individual had taxable income of US \$23,000 per year and paid US \$8,000 in income tax. The individual's taxable income then increased to US \$30,000 per year resulting in a US \$10,000 income tax liability. The personal tax system being applied to this individual is:

A. Progressive.

B. Regressive.

C. Marginal.

D. Proportional.

Answer: B (LEAVE A REPLY)

The average tax rate of the individual has decreased from 34.8% (US \$8,000 / \$23,000) to 33.3% (US \$10,000 / \$30,000). Under a regressive tax system, the average tax rate falls as income rises, although the amount of tax paid may rise.

NEW QUESTION: 145

Which statement best describes the emphasis of total quality management (TQM)?

A. Reducing the cost of inspection.

B. Implementing better statistical quality control techniques.

C. Doing each job right the first time.

D. Encouraging cross-functional teamwork.

Answer: C (LEAVE A REPLY)

The basic principles of TQM include doing each job right the first time, being customer oriented, committing the company culture to continuous improvement, and building teamwork and employee empowerment.

NEW QUESTION: 146

Technological uncertainty, subsidy, and spin-offs are usually characteristics of:

- A. Mature industries.
- B. Declining industries.
- C. Emerging industries.
- D. Fragmented industries.

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

NEW QUESTION: 147

A customer, operating in isolated foreign market, has approached the head salesperson for Product Line I and offered to purchase 4,000 units of a special-order product over the next 12 months. This product would be sold in the same manner as Product Line 1's other products except that the customer is hoping for a price break. Product Line 1's cost to purchase this product (cost of sales) would be US \$14.70. Product Line 1 has excess capacity, meaning that the rate or amount of the remaining operating costs would not change as a consequence of the purchase and sale of this special-order product. The minimum selling price for this special-order product would be:

- A. US \$15.00
- B. US \$17.30
- C. US \$27.50
- D. US \$30.20

Answer: ([SHOW ANSWER](#))

Product Line I needs to cover its variable out-of-pocket costs as a minimum on this special-order product; therefore, any selling price greater than the variable cost will contribute towards profits. Thus, the minimum selling price of the special-order product is the variable cost divided by 1 minus the commission rate, or $US\$14.70 / (1.0 - 0.2)$.

NEW QUESTION: 148

Which of the following is the most appropriate test to assess the privacy risks associated with an organization's workstations?

- A. Vulnerability test.
- B. Social engineering test.
- C. Penetration test.
- D. Physical control test.

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

NEW QUESTION: 149

If a manufacturer has established a limit on the number of defects that are tolerable in the final assembly of its product, which of the following quality control procedures should be employed?

- I. Inspect completed goods for compliance with established tolerances.
- II. Review sales returns for defects not detected during the final inspection process.
- III. Compare materials and machinery specifications with original product designs.
- IV.

Establish a quality circle that includes management and subordinates to discuss labor efficiency.

- A. I, III, and IV.
- B. II and III only.

- C. I, II, and III.
- D. III and IV only.

Answer: C (LEAVE A REPLY)

Inspecting goods after completion of the production process and counting defective goods returned by customers are product quality procedures. They measure the level of product conformance with customer expectations. Verifying materials and machinery specifications are process quality procedures because they emphasize the inputs to the process and the process itself.

NEW QUESTION: 150

Which of the following responsibilities would ordinary fall under the help desk function of an organization?

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

Answer: (SHOW ANSWER)

NEW QUESTION: 151

The arrival times in a waiting-line (queuing) model follow which probability distribution?

- A. Binomial.
- B. Chi-square.
- C. Poisson.
- D. Exponential.

Answer: C (LEAVE A REPLY)

Queuing models assume that arrivals follow a Poisson process: The events (arrivals) are independent, any number of events must be possible in the interval of time, the probability of an event is proportional to the length of the interval, and the probability of more than one event is negligible if the interval is sufficiently small.

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NEW QUESTION: 152

Entity A acquires entity B for US \$1,000,000. At the time of the acquisition the net fair value of the identifiable assets, liabilities, and contingent liabilities recognized had a carrying amount of US \$900,000 and a fair value of US \$800,000. The amount of goodwill entity A will record on the acquisition date is

- A. US \$0
- B. US \$100,000
- C. US \$200,000

D. US \$300,000

Answer: C (LEAVE A REPLY)

Goodwill equals the excess of the acquisition cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Consequently goodwill is US \$200.000\$1,000,000 - \$800,000).

NEW QUESTION: 153

The correlation coefficient that indicates the weakest linear association between two variables is:

A. -0.73

B. -0.11

C. 0.12

D. 0.35

Answer: B (LEAVE A REPLY)

The correlation coefficient can vary from -1 to +1. A -1 relationship indicates a perfect inverse correlation, and a +1 relationship indicates a perfect direct correlation. A zero correlation coefficient indicates no linear association between the variables. Thus, the correlation coefficient that is nearest to zero would indicate the weakest linear association. Of the options given in the question, the correlation coefficient that is nearest to zero is 0.11.

NEW QUESTION: 154

When granting third parties temporary access to an entity's computer systems, which of the following is the most effective control?

A. User accounts are deleted when the work is completed.

B. Administrator access is provided for a limited period.

C. User accounts specify expiration dates and are based on services provided.

D. Access is approved by the supervising manager.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 155

Questions about which of the following can legally be asked in recruiting interviews?

A. Age.

B. Number of children.

C. Kind of military discharge.

D. Criminal record but only for security clearance purposes)

Answer: (SHOW ANSWER)

In a recruiting interview, one may not ask about the applicant's marital status, number of children, height and weight, criminal record except for the purpose of giving a security clearance), kind of military discharge, or age.

NEW QUESTION: 156

Several surveys point out that most managers use full product costs, including unit fixed costs and unit variable costs, in developing cost-based pricing. Which one of the following is least associated with cost-based pricing?

A. Price stability.

B. Price justification.

- C. Target pricing.
- D. Fixed-cost recovery.

Answer: C (LEAVE A REPLY)

A target price is the expected market price of a product, given the company's knowledge of its customers and competitors. Hence, under target pricing, the sales price is known before the product is developed. Subtracting the unit target profit margin determines the long-term unit target cost. If cost-cutting measures do not permit the product to be made at or below the target cost, it will be abandoned.

NEW QUESTION: 157

Which of the following techniques would be least effective in resolving the conflict created by an internal audit client's perception of the audit report as a personal attack on his management performance?

- A. The auditor should explore alternative solutions to address the audit problem, so the audit client has options.
- B. The auditor should take a flexible position on the recommendations and focus on resolving the issue by addressing the interests of the people concerned.
- C. The auditor should make recommendations based on objective criteria, rather than based on a subjective assessment.
- D. The auditor should focus on the audit client as a person and understand him, rather than just concentrating on the problem.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 158

Which of the following criteria would be most useful to a sales department manager in evaluating the performance of the manager's customer-service group?

- A. The customer is always right.
- B. Customer complaints should be processed promptly.
- C. Employees should maintain a positive attitude when dealing with customers.
- D. All customer inquiries should be answered within 7 days of receipt.

Answer: D (LEAVE A REPLY)

A criterion that requires all customer inquiries to be answered within 7 days of receipt permits accurate measurement of performance. The quantitative and specific nature of the appraisal using this standard avoids the vagueness, subjectivity, and personal bias that may afflict other forms of personnel evaluations.

NEW QUESTION: 159

If the manufacturing company decides to use its excess manufacturing capacity for the motors, the contribution or net benefit that could have been obtained from other alternative uses is referred to as:

- A. Residual income.
- B. Sunk costs.
- C. Separable costs.
- D. Opportunity costs.

Answer: D (LEAVE A REPLY)

Opportunity cost is the net benefit that could be obtained from the best alternative use of a resource. Accordingly, it is the benefit forgone by using that resource in a particular way.

NEW QUESTION: 160

User acceptance testing is more important in an object-oriented development process than in a traditional environment because of the implications of the:

- A. Absence of traditional design documents.
- B. Lack of a tracking system for changes.
- C. Potential for continuous monitoring.
- D. Inheritance of properties in hierarchies.

Answer: D (LEAVE A REPLY)

In object-oriented development, all objects in a class inherit the properties of higher classes in the hierarchy. Thus, changes in one object may affect many other objects, and the extent and effects of errors significantly increase. Testing one object provides no assurance that the objects are properly coordinated. Accordingly, user acceptance testing to verify correct functioning of the whole system becomes more important.

NEW QUESTION: 161

In light of increasing emission taxes in the European Union, a car manufacturer introduced a new middle-class hybrid vehicle specifically for the European market only.

Which of the following competitive strategies has the manufacturer used?

- A. Focus strategy
- B. Cost leadership strategy.
- C. Differentiation strategy.
- D. Reactive strategy.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 162

When comparing absorption costing with variable costing, which of the following statements is not true?

- A. Absorption costing enables managers to increase operating profits in the short run by increasing inventories.
- B. When sales volume is more than production volume, variable costing will result in higher operating profit
- C. A manager who is evaluated based on variable costing operating profit would be tempted to increase production at the end of a period in order to get a more favorable review.
- D. Under absorption costing, operating profit is a function of both sales volume and production volume.

Answer: (SHOW ANSWER)

Absorption full costing is the accounting method that considers all manufacturing costs as product costs. These costs include variable and fixed manufacturing costs whether direct or indirect. Variable direct) costing considers only variable manufacturing costs to be product costs. i.e., inventoriable. Fixed manufacturing costs are considered period costs and are expensed as incurred. If production is increased without increasing sales, inventories will rise. However, all fixed costs associated with production will be an expense of the period under variable costing. Thus, this action will not artificially increase profits and improve the manager's review.

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