

# **IIA**

## **IIA-CIA-PART3 Exam**

**Certified Internal Auditor - Part 3, Business Analysis and  
Information Technology Exam**

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**Question: 1**

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Which of the following statements is correct regarding risk analysis?

- A. The extent to which management judgments are required in an area could serve as a risk factor in assisting the auditor in making a comparative risk analysis.
- B. The highest risk assessment should always be assigned to the area with the largest potential loss.
- C. The highest risk assessment should always be assigned to the area with the highest probability of occurrence.
- D. Risk analysis must be reduced to quantitative terms in order to provide meaningful comparisons across an organization.

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**Answer: A**

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**Question: 2**

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Which of the following statements regarding organizational governance is not correct?

- A. An effective internal audit function is one of the four cornerstones of good governance.
- B. Those performing governance activities are accountable to the customer.
- C. Accountability is one of the key elements of organizational governance.
- D. Governance principles and the need for an internal audit function are applicable to governmental and not-for-profit activities.

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**Answer: B**

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**Question: 3**

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

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

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**Answer: B**

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**Question: 4**

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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.

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**Answer: D**

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**Question: 5**

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

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

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

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**Answer: A**

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**Question: 6**

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

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

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**Answer: B**

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**Question: 7**

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Refer to the exhibit.

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

A company's financial balance sheet is presented below:  
The company has net working capital of:

- A. \$160
- B. \$210
- C. \$350
- D. \$490

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**Answer: B**

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**Question: 8**

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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. \$200

- C. \$300
- D. \$500

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**Answer: A**

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**Question: 9**

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Which of the following activities most significantly increases the risk that a bank will make poor-quality loans to its customers?

- A. Borrowers may not sign all required mortgage loan documentation.
- B. Fees paid by the borrower at the time of the loan may not be deposited in a timely manner.
- C. The bank's loan documentation may not meet the government's disclosure requirements.
- D. Loan officers may override the lending criteria established by senior management.

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**Answer: D**

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**Question: 10**

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

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

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**Answer: D**

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