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IIA CIA Exam Part Three: Business Knowledge for Internal Auditing Exam

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Question: 1

Which of the following statements about COBIT is not true?

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

Answer: C

Question: 2

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

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

Answer: D

Question: 3

A small furniture-manufacturing firm with 100 employees is located in a two-story building and does not plan to expand. The furniture manufactured is not special-ordered or custom-made. The most likely structure for this organization would be:

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

Answer: A

Question: 4

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

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

Answer: D

Question: 5

A software that translates hypertext markup language (HTML) documents and allows a user to view a remote web page is called:

- A. A transmission control protocol/Internet protocol (TCP/IP).
- B. An operating system.
- C. A web browser.
- D. A web server.

Answer: C

Question: 6

Which of the following is not a common feature of cumulative preferred stock?

- A. Priority over common stock with regard to dilution of shares.
- B. Priority over common stock with regard to earnings.
- C. Priority over common stock with regard to dividend payment.
- D. Priority over common stock with regard to assets.

Answer: A

Question: 7

Which of the following price adjustment strategies encourages prompt payment?

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

Answer: A

Question: 8

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

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

Answer: A

Question: 9

Which of the following techniques is the most relevant when an internal auditor conducts a valuation of an organization's physical assets?

- A. Observation.
- B. Inspection.
- C. Original cost.
- D. Vouching.

Answer: B

Question: 10

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

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

Answer: B

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