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**Vendor:**IIA

**Exam Code:**IIA-CIA-PART1

**Exam Name:**Certified Internal Auditor - Part 1, The Internal Audit Activity\'s Role in Governance, Risk, and Control

**Version:**Demo

### QUESTION 1

An internal auditor is reviewing the accounts receivable when she discovers account balances more than three years old. The auditor was previously supervising the area during this time, and she subsequently advises the chief audit executive (CAE) of a potential conflict.

Which of the following is the most appropriate course of action for the CAE to take?

- A. Replace the auditor with another audit staff member.
- B. Continue with the present auditor, as more than one year has passed.
- C. Withdraw the audit team and outsource the financial audit of the division.
- D. Work with the division's management to resolve the situation.

Correct Answer: A

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### QUESTION 2

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

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

Correct Answer: A

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### QUESTION 3

In developing an appropriate work program for an audit engagement, the most important factor for an audit supervisor to

consider is the:

- A. Availability of records and data.
- B. Potential impact of risks.
- C. Capabilities of audit personnel.
- D. Time required to complete the engagement.

Correct Answer: B

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#### QUESTION 4

According to IIA guidance, which of the following are macro-level audit activities performed for an assurance engagement of the purchasing department?

1.  
Obtain and review all purchasing-related audit reports issued within the past year.
  2.  
Meet with the quality assurance group to discuss its previous reports of any purchasing-related findings.
  3.  
Review a memo written by the purchasing manager that outlines ongoing problems with the purchasing software.
  4.  
Request a copy of the report from a purchasing audit conducted last year by an external service provider.
- A. 1 and 2.
  - B. 1 and 3.
  - C. 2 and 4.
  - D. 3 and 4.

Correct Answer: A

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#### QUESTION 5

In order to ensure that the internal auditors have the objectivity required by the Standards, the chief audit executive should:

- A. Demonstrate willingness to include in engagement final communications all matters believed to be important.
- B. Require all auditors to sign statements attesting to their independent mental attitudes and honest belief in their work

product.

C. Carefully assign personnel to individual audit engagements and require auditors to disclose all conflicts of interest.

D. Appraise each auditor's performance on each audit assignment.

Correct Answer: C

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### QUESTION 6

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

1.

End users have raised a number of concerns regarding data integrity.

2.

An untested program change is transferred from the test environment to production.

3.

Purchase history does not reconcile with accounts receivable for some customers.

4.

End user security is inadvertently granted to an unauthorized individual by management.

A. 1 and 3.

B. 1 and 4.

C. 2 and 3.

D. 2 and 4.

Correct Answer: D

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### QUESTION 7

Which of the following are acceptable resources for a chief audit executive to use when developing a staffing plan?

1.

Co-sourcing arrangements.

2.

Employees from other areas of the organization.

3.

The organization's external auditors.

4.

The organization's audit committee members.

A. 1 only

B. 1 and 2 only

C. 2 and 3 only

D. 1, 2, and 4 only

Correct Answer: B

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#### **QUESTION 8**

The chief audit executive (CAE) wants to ensure that there are sufficient resources available to fulfill the responsibilities of the internal audit activity in the coming year. Which statement describes the most logical sequence of events for the CAE to undertake in order to achieve this objective?

A. Confirm audit plan; confirm budget; review existing resources; identify outstanding resource requirements.

B. Review prior year audit plan; review existing resources; confirm new audit plan; confirm budget.

C. Confirm budget; review existing resources; obtain any new resources required; confirm new audit plan.

D. Review results of prior year audit plan; adjust current plan accordingly; hire required resources; confirm budget.

Correct Answer: A

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#### **QUESTION 9**

Which of the following factors would cause an internal auditor to judge an account balance error to be material?

A. The error involves an unusual transaction for the organization.

B. The error pertains to an unverified transaction that is routine.

C. The error concerns a data input function.

D. The error involves a large percentage of net income.

Correct Answer: D

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#### **QUESTION 10**

In which of the following scenarios would a customer service hotline receive a high volume of complaints regarding payments not being applied to customers' accounts?

- A. Invoices are not being mailed to customers.
- B. An employee is tampering with customer checks.
- C. Employees are submitting fraudulent expense reports.
- D. The customer service department is not forwarding complaints to the accounts receivable department.

Correct Answer: B

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#### **QUESTION 11**

The primary reason that a bank would maintain a separate compliance function is to:

- A. Better manage perceived high risks.
- B. Strengthen controls over the bank's investments.
- C. Ensure the independence of line and senior management.
- D. Better respond to shareholder expectations.

Correct Answer: A

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#### **QUESTION 12**

Which of the following controls would most likely prevent the input of an unreasonable number of labor hours into a costing system?

- A. Recalculation tests during processing.
- B. Programmed limit tests of input fields.
- C. Reconciliation of input control totals.
- D. Consistency checks of data in input fields.

Correct Answer: B

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