

# IIA-CIA-PART4<sup>Q&As</sup>

Certified Internal Auditor - Part 4, Business Management Skills

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**QUESTION 1**

A staff auditor is technically outstanding and works well with audit clients but is not good at leading an audit team. To improve the auditor's performance, the auditor should be:

- A. Put in charge of the biggest project; the only way to learn is by performing the task.
- B. Put in charge of small projects with set milestones and a fully trained staff.
- C. Sent to school for management theory classes.
- D. Left alone and given assignments that accentuate personal strengths and avoid personal weaknesses.

Correct Answer: B

The auditor can learn to lead small teams, which will in turn prepare him or her to lead larger projects.

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**QUESTION 2**

A firm has become vertically integrated by acquiring a supplier. However, throughput of the supplier is greater than the firm's needs. Accordingly, the firm most likely has acquired:

- A. A capability less than the efficient scale.
- B. An efficient capability that provides excess output.
- C. An efficient capability that creates excess demand.
- D. An efficient capability that does not achieve economies of scale.

Correct Answer: B

Upstream (backward) or downstream (forward) integration is the acquisition of a capability that otherwise would be performed by external parties that are suppliers or customers, respectively, of the firm. Whether integration should occur depends on the firm's volume of transactions with the external parties (throughput) and the magnitude of the capability required to achieve necessary economies of scale. If the integrating firm's need is for a capability less than the efficient scale, one of its options is to acquire a capability with a costinefficient scale. The other option is to acquire an efficient capability that provides excess output (in the upstream case) or creates excess demand (from, for example, a distribution capability in the downstream case). This option will require the integrated firm to sell or buy in the open market. Thus, the second option carries the risk of having to deal with competitors.

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**QUESTION 3**

Among the non-financial rewards to an employee, a paid vacation trip can best be categorized as:

- A. Social reward.
- B. Token award.
- C. Visual/auditory reward.

D. Manipulatetables.

Correct Answer: B

Token awards are normally nonrecurring. They show appreciation for the role of the employee. Other similar examples are gift coupons, stock options, early time off with pay, or dinner and theater tickets.

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**QUESTION 4**

Intentional stimulation of conflict can be triggered by:

- I. Making changes to the organizational structure
  - II. Hiring new employees with different values, attitudes, and backgrounds
  - III. Assigning an employee the role of devil's advocate to oppose the majority views
- A.  
I only.  
B.  
I, II, and III.  
C.  
I and III only.  
D.  
II only.

Correct Answer: B

Intentional stimulation of conflict is triggered by making changes in the organizational structure, hiring new employees with different values, attitudes, backgrounds, and assigning an employee to be devil's advocate to oppose the majority views of the group.

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**QUESTION 5**

Which condition does not increase the threat of new competitor entry into the industry?

- A. Strong brand identity.
- B. Existing firms do not enjoy the cost advantages of vertical integration.
- C. Few proprietary product differences.
- D. Low capital requirements.

Correct Answer: A

Strong brand identity decreases the threat that new competitors will enter an industry. New competitors have difficulty because potential customers are loyal to established firms in the industry.

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