

IIA-CIA-PART3^{Q&As}

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QUESTION 1

Prior announcements of moves have value as market signals in part because an announced move need not actually occur. Which of the following is true regarding the effects of prior announcements of moves on the market?

- I. The effects may preempt competition
- II. The effects may express pleasure or displeasure with a competitor's action
- III. The effects may be a means of ending all external debate

IV.

The effects may test competitor sentiment

A.

I, II, and III only.

B.

I, II, and IV only.

C.

II, III, and IV only.

D.

I, II, III, and IV.

Correct Answer: B

Among other things, prior announcements of moves may preempt competition, threaten action, test competitor sentiment, express pleasure or displeasure with a competitor's action, and act as a means of ending internal debate. Moreover, prior announcements of moves may be a means of ending some external debate (i.e., if the announcement was aimed at the financial community in order to answer questions about the firm's liquidity). However, all external debate would be impossible to end, even by means of prior announcements of moves.

QUESTION 2

Which of the following would not impair the objectivity of internal auditor?

- A. Management assurance on risks.
- B. Implementing risk responses on behalf of management.
- C. Providing assurance that risks assessed are correctly evaluated.
- D. Setting the risk appetite.

Correct Answer: C

QUESTION 3

Which of the following is an element of effective negotiating?

- A. Ensuring that the other party has a personal stake in the agreement.
- B. Focusing on interests rather than on obtaining a winning position.
- C. Considering a few select choices during the settlement phase.
- D. Basing the agreement on negotiating power and positioning leverage.

Correct Answer: B

QUESTION 4

The decision to integrate a firm vertically most likely should be based on:

- A. A balance of economic and administrative factors.
- B. Strategic economic issues.
- C. Investment required.
- D. The effect of the acquisition on costs.

Correct Answer: A

The decision to integrate should consider not only direct economic issues (needed investment and effects on costs), but also broader strategic issues and the potential difficulties of administering a vertically integrated firm. Thus, the extent of integration depends on the balance of economic and administrative benefits and costs. This balance varies with the industry, the firm's position, and whether the firm engages in full integration, tapered (partial) integration, or quasi-integration (use of alliances, not ownership, to achieve the effects of integration).

QUESTION 5

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

Correct Answer: A

QUESTION 6

Which of the following purchasing scenarios would gain the greatest benefit from implementing electronic data interchange?

- A. A time-sensitive just-in-time purchase environment.
- B. A large volume of custom purchases.
- C. A variable volume sensitive to material cost.
- D. A currently inefficient purchasing process.

Correct Answer: A

QUESTION 7

Which of the following types of data analytics would be used by a hospital to determine which patients are likely to require readmittance for additional treatment?

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

Correct Answer: A

Reference: <https://www.healthcareitnews.com/sponsored-content/predictive-analytics-used-help-largehospital-group-reduce-readmission-rates>

QUESTION 8

The most likely generic benefit of vertical integration is:

- A. Lowering entry barriers.
- B. Increasing demand.
- C. Avoiding market transactions.
- D. Lowering mobility barriers.

Correct Answer: C

Economies of vertical integration result from avoiding some market transactions. Transaction costs of dealing with outside parties are greater than those of dealing with inside parties.

QUESTION 9

An organization is considering mirroring the customer data for one regional center at another center. A disadvantage of such an arrangement would be:

- A. Lack of awareness of the state of processing.
- B. Increased cost and complexity of network traffic.
- C. Interference of the mirrored data with the original source data.
- D. Confusion about where customer data are stored.

Correct Answer: B

QUESTION 10

A line position:

- A. Is indirectly responsible for achieving the organization's basic objectives.
- B. Makes administrative and operating decisions.
- C. Advises and assists staff positions.
- D. Is indirectly involved with the organization's product(s) and/or services.

Correct Answer: B

A line position is in the direct chain of command and is responsible for administering policy and making operating decisions. People in line positions have direct responsibility for achieving the organization's basic objectives and thus have formal or legitimate authority.

QUESTION 11

Providing knowledge, motivating organizational members, controlling and coordinating individual efforts, and expressing feelings and emotions are all functions of:

- A. Motivation.
- B. Performance.
- C. Organizational structure.
- D. Communication.

Correct Answer: D

QUESTION 12

Which of the following statements is true regarding an investee that received a dividend distribution from an entity and is

presumed to have little influence over the entity?

- A. The cash dividends received increase the investee investment account accordingly.
- B. The investee must adjust the investment account by the ownership interest.
- C. The investment account is adjusted downward by the percentage of ownership.
- D. The investee must record the cash dividends as dividend revenue.

Correct Answer: D

QUESTION 13

All of the following are possible explanations for a significant unfavorable material efficiency variance except:

- A. Cutbacks in preventive maintenance.
- B. An inadequately trained and supervised labor force.
- C. A large number of rush orders.
- D. Production of more units than planned for in the master budget.

Correct Answer: D

QUESTION 14

A substantial duplication of functions characterizes which of the following structures?

- A. Simple structure.
- B. Divisional structure.
- C. Machine bureaucracy.
- D. Professional bureaucracy.

Correct Answer: B

A division is essentially a self-contained organization. Hence, it must perform all or most of the functions of the overall organization of which it is a part. It is characterized by substantial duplication of functions when compared with more centralized structures.

QUESTION 15

Which of the following is a source of communication breakdown within an organization due to a sense of superiority by members of a particular culture?

- A. Perceptual problem.

- B. Stereotyping.
- C. Ethnocentrism.
- D. Uncertainty avoidance.

Correct Answer: C

Ethnocentrism is the attitude that one's own group is superior. It is perpetuated through the value structures and nationalistic spirit of the people.

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