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**QUESTION 1**

Michael E Porter's competitive strategies model includes an analysis of the competitive forces that determine the attractiveness of an industry. These forces include:

- I. The stage of the industry life cycle
- II. Threats of, and barriers to, entry
- III. Threat of substitutes
- IV. The threat of suppliers' bargaining power

- A. I and II only.
- B. I and III only.
- C. II, III, and IV only.
- D. I, II, III, and IV.

Correct Answer:

Michael E. Porter, a leader in the field of strategic management, has developed a comprehensive model of the structure of industries and competition. One feature is his analysis of the five competitive forces that determine long-term profitability measured by long-term return on investment. This analysis determines the attractiveness of an industry. The five forces are (1) the degree of rivalry among existing firms; (2) threats of, and barriers to, entry; (3) the threat of substitute products or services; (4) the threat of buyers' bargaining power; and (5) the threat of suppliers' bargaining power.

QUESTION 2

Where complex problems need to be addressed, which of the following communication networks would be most appropriate?

- A. Chain.
- B. All-channel.
- C. Circle.
- D. Wheel.



Correct Answer: B

QUESTION 3

Which of the following application controls, implemented by management, monitors data being processed to ensure the data remains consistent and accurate?

- A. Management trail controls.
- B. Output controls.
- C. Integrity controls.
- D. Input controls.

Correct Answer: C

QUESTION 4

A firm has a strategic business unit (SBU) that has a low market share in a high growth market. To maintain even this low share of the market requires the firm to commit a significant amount of cash. The firm might successfully adopt a build strategy for this unit if the:

- I. SBU shows a strong potential to grow and obtains a significant share of the market.
- II. Firm can finance its growth.
- III. Firm expects a short-term increase in cash flow.
- IV. Firm is willing to forgo short-term earnings.

- A. I only.
- B. II and III only.
- C. III and IV only.
- D. I, II, and IV only.

Correct Answer: D

One of the two portfolio models most frequently used for competitive analysis was created by the Boston Consulting Group (BCG). This model, the growth-share matrix, has two variables. The market growth rate (MGR) is on the vertical



axis, and the firm's relative market share (RMS) is on the horizontal axis. The growth-share matrix has four quadrants. The firm's SBUs are commonly represented in their appropriate quadrants by circles. The size of a circle is directly proportional to the SBU's sales volume. Question marks (low RMS, high MGR) are weak competitors in high-growth markets. They need large amounts of cash not only to finance growth and keep pace with the market but also to increase RMS, but do poorly in cash generation. If RMS increases significantly, a question mark may become a star. If not, it becomes a dog. A build strategy is necessary for a question mark with the potential to be a star. Consequently, a firm may adopt a build strategy for this type of SBU if it shows a strong potential to grow, if the firm is willing to forgo short-term earnings and cash flow, and if the firm is willing and has the capacity to finance its growth. However, a firm that expects only a short-term increase in cash flow may adopt either a divest or a harvest strategy but not a build strategy. This type of SBU needs a lot of cash flow to finance its growth.

QUESTION 5

Which of the following are typical audit considerations for a review of authentication?

1.

Authentication policies and evaluation of controls transactions.

2.

Management of passwords, independent reconciliation, and audit trail.

3.

Control self-assessment tools used by management.

4.

Independent verification of data integrity and accuracy.

A. 1, 2, and 3

B. 1, 2, and 4

C. 1, 3, and 4

D. 2, 3, and 4

Correct Answer: A

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