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QUESTION 1

What must be monitored in order to manage risk of consumer product inventory obsolescence?

1.
Inventory balances.
 2.
Market share forecasts.
 3.
Sales returns.
 4.
Sales trends.
- A. 1 only
B. 4 only
C. 1 and 4 only
D. 1, 2, and 3 only

Correct Answer: C

QUESTION 2

Centralization and decentralization are defined according to the relative delegation of decision-making authority by top management. Many managers believe that decentralized organizations have significant advantages over centralized organizations. A major advantage of a decentralized organization is that:

- A. Decentralized organizations are easier to control.
- B. Decentralized structures streamline organizations and eliminate duplication of resources.
- C. Decentralized organizations have fewer managers than centralized organizations.
- D. Decentralized organizations encourage increased initiative among employees.

Correct Answer: D

A decentralized organization allows lower level employees to participate in decision making. This increased involvement encourages initiative and creative thinking and is especially appropriate in complex and rapidly changing environments.

QUESTION 3



Coping with fragmentation requires strategic positioning. Which strategic position is a focus strategy that enhances bargaining power with suppliers and increases differentiation?

- A. Backward integration.
- B. Tightly managed decentralization.
- C. Specialization by product type or segment.
- D. Developing formula facilities.

Correct Answer: C

Specialization by product type or segment is a focus strategy that is used to cope with fragmentation. This strategy may enhance bargaining power with suppliers and increase differentiation because of perceived expertise and image. The downside is reduced growth opportunities.

QUESTION 4

Which of the following is a systems software control?

- A. Restricting server room access to specific individuals.
- B. Housing servers with sensitive software away from environmental hazards.
- C. Ensuring that all user requirements are documented.
- D. Performing of intrusion testing on a regular basis.

Correct Answer: C

Reference: https://chapters.theiia.org/montreal/ChapterDocuments/GTAG%201%20-%20Information%20technology%20controls_2nd%20ed.pdf

QUESTION 5

Which of the following is a limiting factor for capacity expansion?

- A. Government pressure on organizations to increase or maintain employment.
- B. Production orientation of management.
- C. Lack of credible market leader in the industry.
- D. Company diversification.

Correct Answer: D

QUESTION 6

An organization has 10 groups of teams that each consists of multi-skilled workers. Workers are often transferred



between teams when needed, and communication among and within groups is emphasized. The corporation would be classified as a(n)

- A. Hourglass organization.
- B. Cluster organization.
- C. Network organization.
- D. Virtual organization.

Correct Answer: B

A cluster organization is essentially a group of teams. The workers are often multi-skilled and shift among teams as needed. The workers undergo special training and team-building exercises. The pay is also based upon knowledge.

QUESTION 7

Which of the following is the most significant reason that domestic governments and international organizations seek to eliminate cartels?

- A. The increased sales price reduces the amount of corporate tax revenues payable to the government.
- B. True competition keeps prices as low as possible, thus increasing efficiency in the marketplace.
- C. Small businesses cannot survive or grow without government protection.
- D. The economic stability of developing countries depends on a global free market.

Correct Answer: B

A cartel is an organization of sellers (e.g., the oil cartel OPEC) who undertake joint action to maximize members' profits by controlling the supply, and therefore the price, of their product. Under the laws of many nations, such collusive conduct is illegal when engaged in by firms subject to those laws. The reason is that, as a result of the monopolistic and anticompetitive practices of cartels, supply is lower, prices are high, competition is restrained, and the relevant industry is less efficient. Accordingly, governmental and international organizations seek to protect consumers and the health of the domestic and global economy through anti-cartel efforts.

QUESTION 8

Which of the following motivation theories is based on Japanese management practices?

- A. Theory X.
- B. Theory Y.
- C. Theory Z.
- D. Herzberg's Two-Factor Theory.

Correct Answer: C

Ouchi's Theory Z is based on the Japanese practice of providing long-term employment to workers. This



creates job loyalty with a goal of achieving a long-range orientation among workers.

QUESTION 9

In regard to effective negotiation, a win-win attitude is characterized by:

- A. Seeking mutual benefit and satisfaction.
- B. Cooperative.
- C. It promotes support of, and commitment to, the agreement.
- D. All of the answers are correct.

Correct Answer: D

In regards to effective negotiation, a win-win attitude is characterized by seeking mutual benefit and satisfaction, being cooperative, and promoting support of, and commitment to, the agreement. In contrast to a win-win attitude, a win-lose attitude is competitive and is a zerosum game instead of a positive-sum game.

QUESTION 10

In a SWOT analysis, a firm considers macroeconomic factors when it identifies:

- A. The capability profile.
- B. Opportunities and threats.
- C. Core competencies.
- D. Strengths and weaknesses.

Correct Answer: B

Opportunities and threats (the external environment) are identified by considering macro environmental factors (economic, demographic, political, legal, social, cultural, and technical) and micro environmental factors (suppliers, customers, distributors, competitors, and other competitive factors in the industry).

QUESTION 11

A competitive factor that may lead to overbuilding in an industry is:

- A. The need of large customers to know that capacity exists to meet their long-term requirements.
- B. The lack of a credible market leader.
- C. The advantage held by the capacity leader.
- D. The existence of high entry barriers.

Correct Answer: B



The lack of a credible market leader makes for a less orderly expansion. A stronger leader can retaliate effectively against inappropriate expansion by others. The following are other such factors:

(1) many firms with the ability to add capacity are seeking to improve market share; (2) new entrants, possibly encouraged by low entry barriers and favorable economic conditions, may cause or intensify overcapacity; and (3) first mover advantages may be significant; thus, shorter lead times for ordering equipment, lower costs, and the ability to exploit an excess of demand over supply may encourage too many firms to expand.

QUESTION 12

Which of the following is the best measure of productivity to use to evaluate several departments in a large retail store?

- A. Number of customers served per employee per day.
- B. Revenue per square foot.
- C. Number of units sold per department per day.
- D. Average number of units stocked per month per department.

Correct Answer: B

Productivity is the ratio of real output to a unit of input. Increased productivity is the goal of every organization because its effect is to improve the ultimate measures of performance, such as the profits of a business. For a retail store, a critical output of interest is revenue per square foot. The floor space in the store is a limited resource whose productivity should be analyzed.

QUESTION 13

Understanding the best alternative to a negotiated agreement (BATNA) helps a negotiator to avoid which of the following? I. Accepting an unfavorable settlement. II. Rejecting a favorable settlement:

- A. I only.
- B. II only.
- C. I and II.
- D. Neither I nor II.

Correct Answer: C

Accepting an unfavorable settlement and rejecting a favorable settlement are two mistakes avoided by understanding the BATNA. The BATNA is the acceptable minimum outcome if a negotiator cannot obtain the desired result.

QUESTION 14

Patents are granted to encourage firms to invest in the research and development of new products. Patents are an example of

- A. Vertical integration.



- B. Market concentration.
- C. Entry barriers.
- D. Collusion.

Correct Answer: C

Entry barriers exist in all market structures other than perfect competition. The fewer the firms in an industry, the greater the barriers tend to be. Entry barriers include the existence of substantial economies of scale (low unit costs can be achieved only by large producers). They also include barriers created by existing firms. For example, large advertising expenditures may be necessary to compete. Control of raw materials or technology is another barrier. Consequently, patents held by existing firms may serve as an entry barrier because they prevent potential competitors from using certain technology. Patents are rights granted by the federal government to inventors to allow them the exclusive use of their inventions for a specific.

QUESTION 15

Which type of organization is based upon strategic long-term relationships based upon implicit contracts and coordination through adaptation?

- A. Hourglass organization.
- B. Cluster organization.
- C. Network organization.
- D. Virtual organization.

Correct Answer: C

A network organization is a network based upon coordination through adaptation. It also is based upon long-term relationships without specific legal ties.

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