



# IIA-CIA-PART3-3P<sup>Q&As</sup>

CIA Exam Part Three: Business Knowledge for Internal Auditing

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#### QUESTION 1

Which of the following statements is true regarding cost-volume-profit analysis?

- A. Contribution margin is the amount remaining from sales revenue after fixed expenses have been deducted.
- B. Breakeven point is the amount of units sold to cover variable costs.
- C. Breakeven occurs when the contribution margin covers fixed costs
- D. Following breakeven, net operating income will increase by the excess of fixed costs less the variable costs per units sold

Correct Answer: C

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#### QUESTION 2

Which of the following are included in ISO 31000 risk principles and guidelines?

- A. Standards, framework, and process.
- B. Standards, assessments, and process.
- C. Principles, framework, and process.
- D. Principles, practices, and process.

Correct Answer: C

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#### QUESTION 3

Which of the following methods is most closely associated to year over year trends?

- A. Horizontal analysis
- B. Vertical analysis
- C. Common-size analysis
- D. Ratio analysis

Correct Answer: A

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#### QUESTION 4

A manager has difficulty motivating staff to improve productivity, despite establishing a lucrative individual reward system. Which of the following is most likely the cause of the difficulty?

- A. High degree of masculinity.



- B. Low uncertainty avoidance.
- C. High collectivism.
- D. Low long-term orientation.

Correct Answer: C

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#### QUESTION 5

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

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#### QUESTION 6

An organization has recorded the following profit and expenses:

Profit before interest and tax

\$200,000

Sales

\$2,300,000

Purchases of materials

\$700,000

Interest expenses

\$30,000

If the value-added tax (VAT) rate is 20 percent and the corporate tax rate is 30 percent, which of the following is the amount of VAT that the organization has to pay?

- A. \$34,000
- B. \$51,000
- C. \$60,000



D. \$320,000

Correct Answer: D

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#### QUESTION 7

Which of the following statements is in accordance with COBIT?

1) Pervasive controls are general while detailed controls are specific. 2) Application controls are a subset of pervasive controls. 3) Implementation of software is a type of pervasive control. 4) Disaster recovery planning is a type of detailed control.

A. 1 and 4 only

B. 2 and 3 only

C. 2, 3, and 4 only

D. 1, 2, and 4 only

Correct Answer: A

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#### QUESTION 8

Which of the following is an example of a nonfinancial internal failure quality cost?

A. Decreasing gross profit margins over time.

B. Foregone contribution margin on lost sales.

C. Defective units shipped to customers.

D. Excessive time to convert raw materials into finished goods.

Correct Answer: D

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#### QUESTION 9

Which of the following control features consists of a set of authorization codes that distinguishes among actions such as reading, adding, and deleting records?

A. Internally encrypted passwords

B. System access privileges.

C. Logon passwords

D. Protocol controls.

Correct Answer: B

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**QUESTION 10**

Which of the following statements is true regarding reversing entries in an accounting cycle?

- A. Reversing all previous closing adjustments is a mandatory step in the accounting cycle
- B. Reversing entries should be completed at the end of the next accounting period after recording regular transactions of the period
- C. Reversing entries are identical to the adjusting entries made in the previous period.
- D. Reversing entries are the exact opposite of the adjustments made in the previous period.

Correct Answer: D

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**QUESTION 11**

The process of scenario planning begins with which of the following steps?

- A. Determining the trends that will influence key factors in the organization's environment.
- B. Selecting the issue or decision that will impact how the organization conducts future business.
- C. Selecting leading indicators to alert the organization of future developments.
- D. Identifying how customers, suppliers, competitors, employees, and other stakeholders will react.

Correct Answer: B

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**QUESTION 12**

Which stage in the industry life cycle is characterized by many different product variations?

- A. Introduction.
- B. Growth.
- C. Maturity.
- D. Decline.

Correct Answer: A

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**QUESTION 13**

An organization uses a database management system (DBMS) as a repository for data. The DBMS, in turn, supports a number of end-user developed applications which were created using fourth-generation programming languages. Some of the applications update the database. Which of the following is the most important control related to the integrity of the data in the database?



- A. End users have their read-only applications approved by the information systems department before accessing the database.
- B. Concurrency update controls are in place.
- C. End-user applications are developed on personal computers before being implemented on the mainframe.
- D. A hierarchical database model is adopted so that multiple users can be served at the same time.

Correct Answer: B

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#### QUESTION 14

According to the ISO 14001 standard, which of the following is not included in the requirements for a quality management system?

- A. Key processes across the entity which impact quality must be identified and included.
- B. The quality management system must be documented in the articles of incorporation, quality manual, procedures, work instructions, and records.
- C. Management must review the quality policy, analyze data about quality management system performance, and assess opportunities for improvement and the need for change.
- D. The entity must have processes for inspections, testing, measurement, analysis, and improvement.

Correct Answer: B

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#### QUESTION 15

The market price is the most appropriate transfer price to be charged by one department to another in the same organization for a service provided when:

- A. There is an external market for that service.
- B. The selling department operates at 50 percent of its capacity.
- C. The purchasing department has more negotiating power than the selling department.
- D. There is no external market for that service.

Correct Answer: A

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