



IIA-CIA-PART3-3P^{Q&As}

CIA Exam Part Three: Business Knowledge for Internal Auditing

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QUESTION 1

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 2

Which of the following summarizes information about the cash receipts and cash payments for a specific time period?

- A. Income statement
- B. Statement of cash flows.
- C. Balance sheet
- D. Owner's equity statement

Correct Answer: B

QUESTION 3

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

- 1) Consult on CSR program design and implementation.
- 2) Serve as an advisor on CSR governance and risk management.
- 3) Review third parties for contractual compliance with CSR terms.
- 4) Identify and mitigate risks to help meet the CSR program objectives.

- A. 1, 2, and 3
- B. 1, 2, and 4
- C. 1, 3, and 4
- D. 2, 3, and 4



Correct Answer: A

QUESTION 4

Which of the following methods, if used in conjunction with electronic data interchange (EDI), will improve the organization's cash management program, reduce transaction data input time and errors, and allow the organization to negotiate discounts with EDI vendors based on prompt payment?

- A. Electronic funds transfer.
- B. Knowledge-based systems.
- C. Biometrics.
- D. Standardized graphical user interface.

Correct Answer: A

QUESTION 5

According to MA guidance, which of the following best describes an adequate management (audit) trail application control for the general ledger?

- A. Report identifying data that is outside of system parameters
- B. Report identifying general ledger transactions by time and individual
- C. Report comparing processing results with original input
- D. Report confirming that the general ledger data was processed without error.

Correct Answer: B

QUESTION 6

In an analysis of alternative credit-management policies, which of the following components will cause the net present value of receivables on credit sales to increase, if everything else remains constant?

- A. A tougher collections policy that reduces the bad debt loss ratio.
- B. A higher cost per unit sold.
- C. A longer average collection period.
- D. An increase in the cost of capital.

Correct Answer: A

QUESTION 7



Which of the following is the best approach to overcome entry barriers into a new business?

- A. Offer a standard product that is targeted in the recognized market.
- B. Invest in commodity or commodity-like product businesses.
- C. Enter into a slow-growing market.
- D. Use an established distribution relationship.

Correct Answer: D

QUESTION 8

Which of the following is the best reason for considering the acquisition of a nondomestic organization?

- A. Relatively fast market entry.
- B. Improved cash flow of the acquiring organization.
- C. Increased diversity of corporate culture.
- D. Opportunity to influence local government policy.

Correct Answer: A

QUESTION 9

When using cost-volume-profit analysts which of the following will increase operating income once the break-even point has been reached?

- A. Fixed costs per unit for each additional unit sold
- B. Variable costs per unit for each additional unit sold
- C. Contribution margin per unit for each additional unit sold
- D. Gross margin per unit for each additional unit sold

Correct Answer: C

QUESTION 10

The audit committee of a global corporation has mandated a change in the organization's business ethics policy. Which of the following approaches describes the best way to accomplish the policy's diffusion worldwide?

- A. Deploy the policy in the corporate headquarters' language, so everyone gets an unfiltered version simultaneously.
- B. Introduce the policy region by region, using any lessons learned to change the subsequent version of the policy for the next area.



C. Consult with legal and operational management in each affected country to ensure the final version can be implemented globally, following audit committee approval.

D. Send the board-approved version of the policy to each country's senior leadership and empower them to tailor the policy to the local language and culture.

Correct Answer: C

QUESTION 11

Which of the following phases of a business cycle are marked by an underuse of resources?

1) The trough. 2) The peak. 3) The recovery. 4) The recession.

A. 1 and 3 only

B. 1 and 4 only

C. 2 and 3 only

D. 2 and 4 only

Correct Answer: B

QUESTION 12

In the current year, a merchandising organization had an inventory turnover ratio of 3.0, which was less than the industry average of 6.5. Which of the following offers the most likely explanation for this difference?

A. The organization has understated the amount of inventory in its financial statements

B. The organization has overstated the cost of purchases in its financial statements.

C. The organization is holding obsolete or damaged items in its inventory

D. The organization experienced an unexpectedly large increase in sales shortly before year end.

Correct Answer: C

QUESTION 13

An organization engages in questionable financial reporting practices due to pressure to meet unrealistic performance targets. Which internal control component is most negatively affected?

A. Monitoring.

B. Control activities.

C. Risk assessment.

D. Control environment.



Correct Answer: D

QUESTION 14

Which of the following statements is true regarding the use of public key encryption to secure data while it is being transmitted across a network?

- A. Both the key used to encrypt the data and the key used to decrypt the data are made public.
- B. The key used to encrypt the data is kept private but the key used to decrypt the data is made public.
- C. The key used to encrypt the data is made public but the key used to decrypt the data is kept private.
- D. Both the key used to encrypt the data and the key used to decrypt the data are made private.

Correct Answer: C

QUESTION 15

Which of the following techniques is the most relevant when an internal auditor conducts a valuation of an organization's physical assets?

- A. Observation.
- B. Inspection.
- C. Original cost.
- D. Vouching.

Correct Answer: B

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