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**QUESTION 1**

A production manager is working on a plan to increase employee motivation at a local plant by comparing results of employee interviews to those from employees at a higher performing plant. The manager is puzzled about the results of two sets of employee interviews. The employees interviewed performed identical jobs. Local employees thought their jobs were boring and unfulfilling while the other plant's employees were very satisfied. Even new employees at the local plant indicated they quickly lost enthusiasm. Identify the primary element the manager must overcome to enhance performance.

- A. Negative job perception.
- B. Inadequate job autonomy.
- C. Lack of skill variety.
- D. Low task significance.

Correct Answer: A

The tasks and environment for both sets of employees are the same. Thus, the individuals' perceptions are the key to the problem.

QUESTION 2

At the introduction stage of an innovative product, the profit growth is normally slow due to

- A. Expensive sales promotion.
- B. High competition.
- C. A mass market.
- D. Available alternatives.

Correct Answer: A

The introduction stage is characterized by slow sales growth and lack of profits because of the high expenses of promotion and selective distribution to generate awareness of the product and encourage customers to try it. Thus, the per-customer cost is high. Competitors are few, basic versions of the product are produced, and higher-income customers (innovators) are usually targeted. Cost-plus prices are charged. They may initially be high to permit cost recovery when unit sales are low. The strategy is to infiltrate the market, plan for financing to cope with losses, build supplier relations, increase production and marketing efforts, and plan for competition.

QUESTION 3

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 4

A leader who is able to gain compliance from a group based solely on personal attraction is said to have:

A. Reward power.

B. Coercive power.

C. Referent power.

D. Legitimate power.

Correct Answer: C

Referent power is based on identification of subordinates with a superior. Thus, personal magnetism (charisma) may be a basis for influencing others to comply with a manager's directives.

QUESTION 5

According to IIA guidance on IT, which of the following best describes a situation where data backup plans exist to ensure that critical data can be restored at some point in the future, but recovery and restore processes have not been defined?

A. Hot recovery plan.

B. Warm recovery plan.

C. Cold recovery plan.

D. Absence of recovery plan.

Correct Answer: C

QUESTION 6

During which phase of disaster recovery planning should an organization identify the business units, assets, and systems that are critical to continuing an acceptable level of operations?

A. Scope and initiation phase.

B. Business impact analysis.



C. Plan development.

D. Testing.

Correct Answer: B

QUESTION 7

An organization had three large centralized divisions: one that received customer orders for service work; one that scheduled the service work at customer locations; and one that answered customer calls about service problems. These three divisions were restructured into seven regional groups, each of which performed all three functions. One advantage of this restructuring would be:

A. Better internal controls.

B. Greater economies of scale.

C. Improved work flow.

D. Increased specialization.

Correct Answer: C

QUESTION 8

Select an additional deficiency in the communication chain.

A. The receiver of the communication was inappropriate; the personnel department should have received the memorandum and then informed the buyer.

B. The message is improperly encoded because the buyer does not know why the termination is to be completed.

C. Because the supervisor and buyer have conflicting vacation schedules, no possibility exists for feedback.

D. The supervisor should not be the sender of the memorandum; the personnel department is the appropriate source.

Correct Answer: C

The communications process has five elements: 1) the sender of the message, 2) symbols used to encode the message, 3) the medium chosen to send the message, 4) the receiver of the message, and 5) feedback acknowledging interpretation of the message by the receiver. Because the supervisor and buyer have conflicting vacation schedules, no possibility exists for feedback, and the buyer is not referred to anyone else in the organization for any additional information.

QUESTION 9

A public university would be considered which type of organization?

A. Commonwealth organization.

B. Business organization.



- C. Nonprofit service organization.
- D. Mutual benefit organization.

Correct Answer: C

Nonprofit service organizations include charities and universities. Nonprofit service organizations serve particular groups of clients.

QUESTION 10

When developing an effective risk-based plan to determine audit priorities, an internal audit activity should start by:

- A. Identifying risks to the organization's operations.
- B. Observing and analyzing controls.
- C. Prioritizing known risks.
- D. Reviewing organizational objectives.

Correct Answer: D

QUESTION 11

Which of the following terms does not apply to noise in communication?

- A. Encoding.
- B. Sending.
- C. Interpretation.
- D. Decoding.

Correct Answer: C

Interpretation is a subprocess of perception. Noise is a disruption that impedes the communication process.

QUESTION 12

An organization accumulated the following data for the prior fiscal year: Value of Percentage of Quarter Output Produced Cost X \$4,750,000

- 2.9
- \$4,700,000
- 3.0
- \$4,350,000



3.2 \$4,000,000

3.5

Based on this data, which of the following describes the value of Cost X in relation to the value of Output Produced?

- A. Cost X is a variable cost.
- B. Cost X is a fixed cost.
- C. Cost X is a semi-fixed cost.
- D. Cost X and the value of Output Produced are unrelated.

Correct Answer: B

QUESTION 13

Which of the following is true regarding an organization's relationship with external stakeholders?

- A. Specific guidance must be followed when interacting with nongovernmental organizations.
- B. Disclosure laws tend to be consistent from one jurisdiction to another.
- C. There are several internationally recognized standards for dealing with financial donors.
- D. Legal representation should be consulted before releasing internal audit information to other assurance providers.

Correct Answer: D

QUESTION 14

The reason(s) governments most likely restrict trade include

- I. To help foster new industries.
- II. To protect declining industries.
- III. To increase tax revenues.
- IV. To foster national security.

- A. I only.
- B. I and II only.



C.

II and III only.

D.

I, II, and IV only.

Correct Answer: D

Governmental impediments to global competition are generally imposed for the announced purpose of protecting local firms and jobs, developing new industries, and fostering national security. They also may have the effect of raising revenue in the short run. In the long run, tax and revenues will decline because of reduced trade. Examples of governmental impediments are tariffs; duties; quotas; domestic content rules; preferences for local firms regarding procurement, taxes, RandD, labor regulations, and other operating rules; and laws (e.g., antibribery or tax) enacted by a national government that impede national firms from competing globally. These impediments are most likely when industries are viewed as crucial.

QUESTION 15

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

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