

# IIA-CIAPart1

Certified Internal Auditor - Part 1, The Internal Audit Activity Role in Governance, Risk, and Control

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**QUESTION NO: 1**

The top three sales representatives for a company consistently include non-allowable charges on their expense reports. Line management is reluctant to deny reimbursement of the charges for fear of losing the sales representatives. This situation has the greatest negative impact on which of the following internal control components?

- A. Monitoring.
- B. Control environment.
- C. Information and communication.
- D. Control activities.

**Answer: B**

**Explanation:**

**QUESTION NO: 2**

Which of the following factors affects the control risk of a company?

- A. Potential problems like technological obsolescence.
- B. Unusual pressures on management.
- C. Complex accounts that require expert valuations.
- D. Segregation of duties.

**Answer: D**

**Explanation:**

**QUESTION NO: 3**

Human resources and payroll are separate departments. Which of the following combinations would provide the best segregation of duties?

- A. Human resources personnel add employees, payroll personnel process hours, and human resources personnel deliver paychecks to employees.
- B. Human resources personnel add employees, review and submit payroll hours to the payroll department for processing, and deliver paychecks to employees.
- C. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account numbers. Paychecks are automatically deposited in the employee's bank account.
- D. Payroll personnel add employees and enter employee bank account numbers but process hours only as approved by the human resources department. Paychecks are automatically

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deposited in the employee's bank account.

**Answer: C**

**Explanation:**

**QUESTION NO: 4**

Which of the following is an appropriate role for the board in governance?

- A.** Preparing written organizational policies that relate to compliance with laws, regulations, ethics, and conflicts of interest.
- B.** Ensuring that financial statements are understandable, transparent, and reliable.
- C.** Assisting the internal audit activity in performing annual reviews of governance.
- D.** Working with the organization's attorneys to develop a strategy regarding current litigation, pending litigation, or regulatory proceedings governance.

**Answer: B**

**Explanation:**

**QUESTION NO: 5**

According to the International Professional Practices Framework, which of the following is the appropriate division of responsibilities for the coordination of internal and external audit efforts?

I.

Oversight of Work

Coordination of Activities

Chief audit executive

Senior management

II.

Board

Chief audit executive

III.

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Chief financial officer

Chief audit executive

IV.

Board

Chief financial officer

A. I

B. II.

C. III.

D. IV.

**Answer: B**

**Explanation:**

#### **QUESTION NO: 6**

According to the Standards, the organizational status of the internal audit activity:

- A. Must be sufficient to permit the accomplishment of its audit responsibilities.
- B. Is best when the reporting relationship is direct to the board of directors.
- C. Requires the board's annual approval of the audit schedules, plans, and budgets.
- D. Is guaranteed when the charter specifically defines its independence.

**Answer: A**

**Explanation:**

#### **QUESTION NO: 7**

A high-volume retailer of consumer goods has used point-of-sale data to record sales and update inventory records for several years. When price changes are scheduled, corporate headquarters downloads a price change file to a computer server system at each store. Each store's assistant manager is responsible for checking the server for downloads and running the program that updates the store's price file at the authorized price update time. In comparison with having headquarters initiate the price update centrally, this approach to price updating will most likely:

- A. Decrease the risk that customers will be undercharged consistently for sales items.
- B. Decrease the risk that item prices will sometimes be inaccurate.