

# IIA

## IIA-CIA-Part3

### Business Knowledge for Internal Auditing

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## Question: 1

Which of the following best describes the purpose of fixed manufacturing costs?

- A. To ensure availability of production facilities.
- B. To decrease direct expenses related to production.
- C. To incur stable costs despite operating capacity.
- D. To increase the total unit cost under absorption costing

**Answer: D**

## Question: 2

Which of the following is a characteristic of using a hierarchical control structure?

- A. Less use of policies and procedures.
- B. Less organizational commitment by employees.
- C. Less emphasis on extrinsic rewards.
- D. Less employee's turnover.

**Answer: B**

## Question: 3

An internal auditor is reviewing key phases of a software development project. Which of the following would; the auditor most likely use to measure the project team's performance related to how project tasks are completed?

- A. A balanced scorecard.
- B. A quality audit
- C. Earned value analysis.
- D. Trend analysis

**Answer: B**

## Question: 4

According to 11A guidance on IT, which of the following spreadsheets is most likely to be considered a high-risk user-developed application?

- A. A revenue calculation spreadsheet supported with price and volume reports from the production department.
- B. An asset retirement calculation spreadsheet comprised of multiple formulas and assumptions.
- C. An ad-hoc inventory listing spreadsheet comprising details of written-off inventory quantities.
- D. An accounts receivable reconciliation spreadsheet used by the accounting manager to verify balances

**Answer: C**

### Question: 5

Which of the following scenarios indicates an effective use of financial leverage?

- A. An organisation has a rate of return on equity of 20% and a rate of return on assets of 15%.
- B. An organization has a current ratio of 2 and an inventory turnover of 12.
- C. An organization has a debt to total assets ratio of 0.2 and an interest coverage ratio of 10.
- D. An organization has a profit margin of 30% and an assets turnover of 7%.

**Answer: B**

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