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QUESTION & ANSWER



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**Exam** : **IIA-CIA-Part3-3P**

**Title** : CIA Exam Part Three:  
Business Knowledge for  
Internal Auditing

**Version** : DEMO

1.If a bank's activities are categorized under such departments as community banking, institutional banking, and agricultural banking, what kind of departmentalization is being utilized?

- A. Product departmentalization.
- B. Process departmentalization.
- C. Functional departmentalization.
- D. Customer departmentalization.

**Answer: D**

2.What must be monitored in order to manage risk of consumer product inventory obsolescence?

- 1) Inventory balances.
- 2) Market share forecasts.
- 3) Sales returns.
- 4) Sales trends.

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

**Answer: C**

3.Maintenance cost at a hospital was observed to increase as activity level increased.

The following data was gathered:

Activity Level -

Maintenance Cost

Month

Patient Days

January

5,600

\$7,900

February

7,100

\$8,500

March

5,000

\$7,400

April

6,500

\$8,200

May

7,300

\$9,100

June

8,000

\$9,800

If the cost of maintenance is expressed in an equation, what is the independent variable for this data?

- A. Fixed cost.
- B. Variable cost.
- C. Total maintenance cost.
- D. Patient days.

**Answer: D**

4. An internal auditor is reviewing physical and environmental controls for an IT organization. Which control activity should not be part of this review?

- A. Develop and test the organization's disaster recovery plan.
- B. Install and test fire detection and suppression equipment.
- C. Restrict access to tangible IT resources.
- D. Ensure that at least one developer has access to both systems and operations.

**Answer: D**

5. Preferred stock is less risky for investors than is common stock because:

- A. Common stock pays dividends as a stated percentage of face value.
- B. Common stock has priority over preferred stock with regard to earnings and assets.
- C. Preferred dividends are usually cumulative.
- D. Preferred stock with no conversion feature has a higher dividend yield than does convertible preferred stock.

**Answer: C**