

Latest Version: 11.0

Question: 1

Which of the following would be a red flag that indicates the possibility of inventory fraud?

- I. The controller has assumed responsibility for approving all payments to certain vendors.
- II. The controller has continuously delayed installation of a new accounts payable system, despite a corporate directive to implement it.
- III. Sales commissions are not consistent with the organization's increased levels of sales.
- IV. Payments to certain vendors are supported by copies of receiving memos, rather than originals.

- A. I and II only
- B. II and III only
- C. I, II, and IV only
- D. I, III, and IV only

Answer: C

Question: 2

During an operational audit of a chain of pizza delivery stores, an auditor determined that cold pizzas were causing customer dissatisfaction. A review of oven calibration records for the last six months revealed that adjustments were made on over 40 percent of the ovens. Based on this, the auditor:

- A. Has enough evidence to conclude that improperly functioning ovens are the cause.
- B. Needs to conduct further inquiries and reviews to determine the impact of the oven variations on the pizza temperature.
- C. Has enough evidence to recommend the replacement of some of the ovens.
- D. Must search for another cause since approximately 60 percent of the ovens did not require adjustment.

Answer: B

Question: 3

When assessing the risk associated with an activity, an internal auditor should:

- A. Determine how the risk should best be managed.
- B. Provide assurance on the management of the risk.
- C. Modify the risk management process based on risk exposures.
- D. Design controls to mitigate the identified risks.

Answer: B

Question: 4

Which of the following procedures would provide the best evidence of the effectiveness of a creditgranting function?

- A. Observe the process.
- B. Review the trend in receivables write-offs.
- C. Ask the credit manager about the effectiveness of the function.
- D. Check for evidence of credit approval on a sample of customer orders.

Answer: B

Question: 5

The most effective way for internal auditors to enhance the reliability of computerized financial and operating information is by:

- A. Determining if controls over record keeping and reporting are adequate and effective.
- B. Reviewing data provided by information systems to test compliance with external requirements.
- C. Determining if information systems provide management with timely information.
- D. Determining if information systems provide complete information.

Answer: A