

[Full-Version 2025 New Dumpleader IIA-IAP PDF Recently Updated Questions [Q30-Q46]



[Full-Version] 2025 New Dumpleader IIA-IAP PDF Recently Updated Questions
IIA-IAP Exam with Guarantee Updated 102 Questions

NEW QUESTION 30

Which of the following would have the most direct impact on management's decision regarding the amount of risk that is considered acceptable?

- * Risk capacity.
- * Risk appetite.
- * Risk perception.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:

* Standard 2120 – Risk Management: Internal audit should evaluate the organization's risk appetite and alignment with decision-making processes.

* Definitions:

* Risk Appetite (Option B): The level of risk an organization is willing to accept in pursuit of its objectives, making it the most direct determinant of acceptable risk levels.

* Risk Capacity (Option A): The organization's ability to absorb risk, which is more strategic and long-term.

* Risk Perception (Option C): Subjective views of risk, which can influence decisions but do not directly determine acceptable risk.

NEW QUESTION 31

According to IIA guidance, which of the following is the primary criterion that should determine the extent of supervision required for an audit engagement?

* The number of hours approved by the board for that engagement.

* The proficiency of the internal auditors and the complexity of the engagement.

* Whether the engagement involves possible violations of laws and governmental regulations.

Comprehensive and Detailed Step-by-Step Explanation:

* Extent of Supervision: The level of supervision required is determined by the auditors' proficiency (experience and skill set) and the complexity of the engagement. This ensures the work is executed effectively while maintaining compliance with IIA standards.

NEW QUESTION 32

Which of the following describes how the internal audit activity can add the greatest value by assisting management with internal controls?

* Internal auditors should assist in designing strong controls.

* Internal auditors should monitor how internal controls are functioning.

* Internal auditors should evaluate the effectiveness and efficiency of internal controls.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:

* Standard 2130 – Control: Internal audit must evaluate and contribute to the improvement of governance, risk management, and control processes.

* Designing or operating controls (Options A and B) risks impairing internal audit independence (Standard 1100).

* Reasoning:

* Option C aligns with internal audit's role of evaluating internal controls objectively.

* Option A could involve a management function, which compromises independence.

* Option B focuses on monitoring, a management responsibility, and does not leverage internal audit's evaluative expertise.

* Best Practice:

* By evaluating controls, internal auditors provide actionable insights that help improve control effectiveness and efficiency without compromising independence.

NEW QUESTION 33

Duties in a purchasing system are segregated and performed by different people. One person orders the goods, another person receives the goods, and another pays for the goods. This is an example of which of the following controls?

- * Preventive
- * Directive
- * Detective

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to Internal Controls:

* Preventive controls are designed to prevent errors, fraud, or irregularities before they occur by ensuring that processes and activities are performed correctly from the start.

* Standard 2130 – Control: Internal auditors assess the design and effectiveness of controls to prevent risks from materializing.

* Reasoning:

* Option A is correct because segregation of duties (ordering, receiving, and paying) is a preventive control, as it prevents a single person from having the authority to initiate, authorize, and complete a transaction, reducing the risk of fraud or errors.

* Option B (Directive) would focus on guiding behavior, such as setting policies or expectations.

* Option C (Detective) refers to controls that identify and detect errors after they occur, such as audits or reviews.

* Impact of Segregation of Duties:

* By ensuring duties are segregated, organizations minimize the risk of fraudulent activities and errors, thus acting as a preventive measure.

NEW QUESTION 34

During an accounts payable audit engagement, the internal auditor found that vendor invoices are always paid

30 days after the invoice date, regardless of the vendor's payment terms. The auditor also discovered that accounts payable employees are not comparing vendor invoices received to previous vendor invoices prior to payment. Based on the auditor's observations, what are the potential risks?

- * Poor cash management due to potentially lost payment discounts
- * Poor cash management due to potentially paying fraudulent invoices
- * Poor cash management due to potentially paying the wrong vendors

Comprehensive and Detailed Step-by-Step Explanation:

* Lost Payment Discounts: By paying all invoices after 30 days, regardless of terms, the organization risks losing early payment discounts offered by vendors, leading to poor cash management.

NEW QUESTION 35

Which of the following interview techniques would be most effective in a fraud investigation?

- * The interviewer should be positioned between the suspect and the door to discourage the suspect from leaving during the interview.
- * The interviewer should allow the suspect to use his own words and only interrupt if a point requires clarification.
- * The interviewer should ensure that only the interviewer and the suspect are present for the interview.

Comprehensive and Detailed Step-by-Step Explanation:

- * **Allowing the Suspect to Use Their Own Words:** Encouraging the suspect to speak freely provides the investigator with unfiltered insights and may reveal inconsistencies or useful details. This technique also minimizes the risk of appearing coercive or intimidating.

NEW QUESTION 36

Which of the following best ensures that the internal audit activity is free from undue interference from management?

- * Audit policies and procedures that are comprehensive and well-documented, in accordance with the Standards.
- * A board audit committee that is composed of competent, independent members.
- * An audit charter that defines the chief audit executive's functional reporting relationship with the board.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:

- * **Standard 1110 – Organizational Independence:** The chief audit executive (CAE) must report functionally to the board to ensure independence.

- * The audit charter must define the CAE's functional reporting line to the board, securing protection from undue management influence.

* Reasoning:

- * Option C addresses the foundational document—the audit charter—that establishes the CAE's authority and independence.
- * Option A refers to operational standards, but they do not directly safeguard against interference.
- * Option B strengthens governance but is secondary to the audit charter in securing independence.

* Impact:

- * A robust audit charter formalizes the CAE's reporting relationship and ensures organizational independence, empowering internal audit.

NEW QUESTION 37

Which of the following is an important consideration when providing quality audit communications?

- * Include as much detail as possible.
- * Provide a fair and balanced assessment.
- * Demonstrate knowledge by using technical language.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:

- * **Standard 2420 – Quality of Communications:** Audit communications must be accurate, objective, clear, concise,

constructive, complete, and timely.

* A fair and balanced assessment ensures objectivity and builds credibility.

* Reasoning:

* Option B is correct because fair and balanced reporting reflects both positive and negative findings, maintaining the credibility and usefulness of the audit report.

* Option A (including as much detail as possible) risks overwhelming the audience and detracting from key messages.

* Option C (using technical language) can reduce clarity and accessibility for non-technical stakeholders.

* Importance of Balanced Reporting:

* Objective and balanced communications ensure that the audit report is actionable and supports informed decision-making by management and the board.

NEW QUESTION 38

Which of the following describes an internal auditor's use of external benchmarking?

* The auditor calculates the net profit margin for a business segment to analyze the profitability.

* The auditor compares return on equity for a beverage company against its competitor to analyze profitability.

* The auditor evaluates operating income margin between geographical areas within an organization to analyze its profitability.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to Benchmarking:

* External benchmarking involves comparing the organization's metrics with those of other entities, typically competitors or industry averages.

* Standard 1210 - Proficiency: Internal auditors must have knowledge to evaluate performance against external benchmarks effectively.

* Reasoning:

* Option B demonstrates external benchmarking by comparing the organization's return on equity with a competitor's performance.

* Option A and Option C focus on internal analysis within the organization and do not use external references.

* Application in Internal Auditing:

* External benchmarking identifies competitive gaps, informs strategic decisions, and supports recommendations for improvement.

NEW QUESTION 39

Which of the following is an element of a well-formed audit recommendation?

* Factual evidence identified during the engagement.

* Measures to prevent recurrence of the condition.

* Factors that allowed the condition to exist.

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to Audit Recommendations:

* According to the IIA Standards, a recommendation must be actionable, specific, and designed to address the root cause of an identified issue.

* Reasoning:

* Option B is correct because effective recommendations focus on preventing recurrence by addressing root causes or implementing control measures.

* Option A (factual evidence) supports findings but does not constitute the recommendation itself.

* Option C (factors allowing the condition) provides context for findings but does not include actionable measures to resolve or prevent the issue.

* Key Components of a Recommendation:

* Recommendations should propose practical solutions to mitigate risks, improve processes, or enhance controls.

* Measures to prevent recurrence align with the goal of sustainable improvements.

NEW QUESTION 40

A senior internal auditor is planning a compliance audit of the organization's global purchasing department.

Which of the following criteria is a relevant consideration for establishing the engagement objectives?

- * A list of all items acquired through the organization's global purchasing department in the past year
- * Current governance laws and regulations in the countries in which the organization operates
- * Location of all global operations that acquire goods through the organization's global purchasing department

Comprehensive and Detailed Step-by-Step Explanation:

* Compliance Audit Criteria: The objective of a compliance audit is to assess adherence to applicable laws, regulations, and internal policies. Considering current governance laws and regulations ensures the audit is aligned with mandatory requirements.

NEW QUESTION 41

According to IIA guidance, which one of the following hiring strategies is most appropriate to fill internal audit positions?

- * Hire the required number of internal auditors to accomplish the audit plan
- * Recruit candidates to fulfill the skills requirement of the internal audit activity
- * Assess each candidate's competency for an upcoming audit

Comprehensive and Detailed Step-by-Step Explanation:

* Skills-Based Recruitment: Internal audit activities require diverse skills to handle complex audits.

Recruiting candidates based on the skills needed ensures the internal audit activity can fulfill its mandate effectively.

NEW QUESTION 42

If an internal auditor needs to evaluate compliance with an internal control policy, which sampling method is most appropriate?

- * Attribute sampling
- * Difference estimation sampling
- * Probability-proportional-to-size sampling

Comprehensive and Detailed Step-by-Step Explanation:

* **Attribute Sampling:** This method is used to evaluate compliance by determining the presence or absence of specific attributes (e.g., adherence to policies or procedures). It is most suitable for assessing yes/no questions or deviations in internal control testing.

* **Example:** Checking whether purchase orders are properly approved as per policy.

NEW QUESTION 43

According to the IIA's Code of Ethics, which of the following best describes the conduct of an internal auditor who demonstrates the principle of competency?

- * The auditor continually improves her proficiency and the effectiveness and quality of her services
- * The auditor is prudent in the use and protection of information acquired in the course of her work
- * The auditor does not accept anything that may impair or be presumed to impair her professional judgment

Comprehensive and Detailed Step-by-Step Explanation:

* **Competency Principle:** According to the IIA Code of Ethics, internal auditors must apply the knowledge, skills, and experience needed to perform their duties effectively.

* **Key Characteristics:** Continuous improvement in proficiency, quality of services, and effectiveness directly align with the principle of competency.

NEW QUESTION 44

Based on the three elements of the Fraud Triangle, which of the following might be considered a fraud indicator related to the opportunity element?

- * Reserves were established based on conservative assumptions to maximize the amounts set aside for when operating results may not meet investors' expectations
- * Executive management establishes financial performance objectives for business unit managers. The objectives include significant increases in annual sales and market penetration
- * Poor segregation of duties allows for an executive assistant to authorize payments to one-time vendors without supervisory approvals

Comprehensive and Detailed Step-by-Step Explanation:

* **Opportunity Element:** This element of the Fraud Triangle refers to situations where weaknesses in controls provide the ability for someone to commit fraud without being detected. Poor segregation of duties, as described in Option C, creates such opportunities.

* **Example:** Allowing an executive assistant to authorize payments without oversight significantly increases the risk of fraud.

NEW QUESTION 45

According to IIA guidance, which of the following are commonly standardized workpaper elements?

- * Workpapers should include a uniform cross-referencing system
- * Workpapers should be completed in an electronic format only
- * Workpapers should be supported by inclusion of original documentation

Comprehensive and Detailed Step-by-Step Explanation:

* **Uniform Cross-Referencing System:** A standardized cross-referencing system ensures consistency, facilitates review, and allows quick retrieval of supporting documents. This is a best practice widely recommended by the IIA in workpaper documentation.

NEW QUESTION 46

When determining the appropriate level of resources needed for an engagement, which of the following would be the first step?

- * Determine the sufficiency of internal audit staff
- * Identify required technology and audit tools
- * Determine travel and related costs for the engagement

Comprehensive and Detailed Step-by-Step Explanation:

* **Resource Sufficiency:** Ensuring that the internal audit team has sufficient staff with the appropriate expertise is the foundational step in resource planning for an engagement.

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