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Qualified Internal Auditor

QUESTION: 70
Accounts payable schedule verification may include the use of analytical evidence. Which of the following is most appropriately described as analytical evidence?

A. Comparing the items on the schedule with the accounts payable ledger or unpaid voucher file.
B. Comparing the balance on the schedule with the balances of prior years.
C. Comparing confirmations received from selected creditors with the accounts payable ledger.
D. Examining vendors' invoices in support of selected items on the schedule.

Answer: B

QUESTION: 71
Which of the following tests can help the auditor to evaluate the adequacy of the company's allowance for doubtful accounts?

A. Reconciling the accounts receivable subsidiary ledgers with the control account.
B. Preparing an aging analysis.
C. Reviewingauthorizationof credit terms.
D. Tracing a sample of credit memos to the accounts receivable subsidiary ledger.

Answer: B

QUESTION: 72
To test compliance with a policy regarding sales returns recorded during the most recent year, an auditor systematically selected 5% of the actual returns recorded in March and April. Returns during these two busiest months of the year represented about 25% of total annual returns. Error projections from this sample have limited usefulness because

A. The small size of the sample relative to the population makes sampling risk unacceptable.
B. The failure to stratify the population according to sales volume results in bias.
C. The systematic selection of returns during the two months is not sufficiently random.
D. The error rates during the two busiest months may not be representative of the whole year.

Answer: D

QUESTION: 73
During the audit of inventories, an internal auditor specified a precision of 5% instead of the 4% contained in the preliminary audit program. What would be the impact of the change in precision?

A. A decrease in population standard deviation.
B. An increase in population standard deviation.
C. A decrease in required sample size
D. An increase in required sample size

Answer: C

QUESTION: 74
Which of the following statements conveys negative information in such a way that afavorableresponse from the auditee may still be achieved?

A. Your bookkeeper has failed to reconcile the bank statement each month.
B. The bank statements have not been reconciled each month.
C. Unfortunately, your bookkeeper has not taken the time to reconcile the bank statement each month.
D. You have apparently failed to inform your book keeper that the bank statements should be reconciled on a timely basis.

Answer: B

QUESTION: 75
During an interview with a data input clerk to discuss acomputerizedsystem used to track employee training requirements and compliance, an auditor identifies a potentially significant weakness in the system. The auditor should

A. Not mention the weakness, directly or indirectly, to avoid making the clerk uncomfortable.
B. Ask indirect questions that will help get more factual information relating to the potential weakness.
C. Ask the clerk about the weakness and determine immediately if the finding should be reported.
D. Conduct a second interview after determining whether the weakness actually exists.

Answer: B

QUESTION: 76
Which of the following is the best source for an audit team to use to identify common risks faced by a company?

A. Checklists or reminder lists
B. Flowcharts
C. Questionnaires
D. Research reported in professional journals and text books

Answer: D

QUESTION: 77
An internal auditor found that employees in the maintenance department were not signing their time cards. This situation also existed during the last audit. The auditor should

A. Include this finding in the current audit report.
B. Ask the manager of the maintenance department to assume the resulting risk.
C. Withhold conclusions about payroll internal control in the maintenance department.
D. Instruct the employees to sign their time cards

Answer: A

QUESTION: 78
Computer fraud is discouraged by

A. Being willing to prosecute.
B. Ostracizingwhistle-blowers.
C. Overlooking inefficiencies in the judicial system.
D. Accepting the lack of integrity in the system.

Answer: A

QUESTION: 79
Which of the following types of tests would be the most persuasive if an internal

auditor wanted assurance of the existence of inventory stored in a warehouse?

A. Examination of the shipping documents supporting recorded transfers to and from the warehouse.
B. Obtaining written confirmation from management.
C. Physically observing the inventory in the warehouse.
D. Examination of warehouse receipts contained in the auditee's records.

Answer: C

QUESTION: 80
Purchases from two new vendors increased dramatically after a new buyer was hired. The buyer was obtaining kickbacks from the two vendors based on sales volume. A possible means of detection is

A. Periodic vendor surveys regarding potential buyer conflict of interest or ethics violations.
B. The receipt of an invoice to put new vendors on the master file.
C. The use of purchase orders for all purchases.
D. The use of change analysis and trend analysis of buyer or vendor activity.

Answer: D