Latest Version: 6.0

Question: 1

An internal auditor is assessing the organization's risk management framework. Which of the following formulas should he use to calculate the residual risk?

$$(Probability\ of\ events) \times (Control) \times (Asset\ value)$$

$$(Probability\ of\ events) \times (Impacts) \times (Controls\ gap)$$

$$(Probability\ of\ events) \times (Impacts)$$

A. Option A
B. Option B
C. Option C
D. Option D

Answer: C

Question: 2

Which of the following statements is false regarding roles and responsibilities pertaining to risk management and control?

A. Senior management is charged with overseeing the establishment risk management and control processes.
B. The chief audit executive is responsible for overseeing the evaluation risk management and control processes.
C. Operating managers are responsible for assessing risks and controls in their departments.
D. Internal auditors provide assurance about risk management and control process effectiveness.

Answer: A

Question: 3

Which of the following should be included in a privacy audit engagement?
1. Assess the appropriateness of the information gathered.
2. Review the methods used to collect information.
3. Consider whether the information collected is in compliance with applicable laws.
4. Determine how the information is stored.

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

Answer: D

Question: 4

Due to price risk from the foreign currency purchase of aviation fuel, an airliner has purchased forward contracts to hedge against fluctuations in the exchange rate. When recalculating the exchange losses from individual purchases of jet fuel, which of the following details does the internal auditor need to validate?
1. The hedge documentation designating the hedge.
2. The spot exchange rate on the transaction date.
3. The terms of the forward contract.
4. The amount of fuel purchased.

A. 1 and 2
B. 1 and 4
C. 2 and 3
D. 3 and 4

Answer: C

Question: 5

Which of the following statements describes an engagement planning best practice?

A. It is best to determine planning activities on a case-by-case basis because they can vary widely from engagement to engagement.
B. If the engagement subject matter is not unique, it is not necessary to outline specific testing procedures during the planning phase.
C. The engagement plan includes the expected distribution of the audit results, which should be kept confidential until the audit report is final.
D. Engagement planning activities include setting engagement objectives that align with audit client's business objectives.

Answer: D