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Question 1

Question Type: MultipleChoice

C is an accounts clerk who is supposed to sign each invoice as evidence that she has conducted checks against supporting documents. Sometimes C signs invoices without making these checks.

D is a member of the internal audit team. He has been told to conduct compliance tests on whether C is checking the invoices properly.

Which of the following would give D a false sense of assurance that C's checks have been in operation?

Select ALL that apply.

Options:

A- D reviewed a sample of invoices for purchases of plant and equipment and found that C had not signed them. C explained that she believed that those were authorized by someone else, although the accounts manual indicates that it was her responsibility.

B- D asked C a series of open-ended questions about the operation of the purchases system. She did not mention anything about detailed checks of invoices against documents.

C- D examined a sample of invoices to make sure that they had been signed by C. AH had been signed. D selected a sample of purchase invoices and compared each to the supporting documents that C is supposed to review. Every one of D's invoices was supported by the related documents.

D- D worked at a spare desk in the accounts department and quietly watched C without telling her. She checked every invoice carefully while D was present.

Answer:

B, C, D

Question 2

Question Type: MultipleChoice

HWG is a large company which grows and processes coffee. The coffee is sold to supermarkets, branded with their names for sale as "own brand" products. HWG brands and packages the coffee using the supermarkets' own designs.

HWG's directors are considering a strategic proposal to develop a range of coffees to be sold under a brand that HWG will develop.

Which TWO of the following should the directors consider as part of their strategic analysis?

Options:

- A-** The design of packaging for the new brand
- B-** The reaction of the supermarkets who currently buy coffee from HWG
- C-** The sales volume forecast for the new coffee

- D- The choice of name for the new brand
- E- Recruiting a marketing firm to advertise the new coffee

Answer:

B, C

Question 3

Question Type: MultipleChoice

JC is a car manufacturing company in country C and manufactures diesel cars It is facing a number of serious risks Which TWO of the following risk factors are external?

Options:

- A- JC's marketing director is considering an attractive job offer from one of J's main competitors
- B- Country F, JC's main market, is threatening to impose tariffs on car imports
- C- JC is facing court action arising from injuries to customers caused by an alleged brake failure in one of its cars
- D- Diesel cars are being criticised by experts because it is believed they cause more harmful pollution than petrol

E- JC's production staff are complaining that their wages are too low compared to wages paid to other employees.

Answer:

B, D

Question 4

Question Type: MultipleChoice

The Board of Directors of VCX, a state-owned electricity company, includes four executive directors the Chief Executive Officer, the Finance Director the Operation Director and the Technical Director

All of the shares in the company vest in the Office of the Minister for Energy, who is entitled to appoint two non-executive directors to the Board It has been alleged that the Minister appoints political "insiders" who have no particular knowledge of. or interest in. the electricity industry

There are three further non-executive directors

* L, who spent seven years as Chief Executive of VCX, but retired from that role two years ago,

* M, who spent several years on the Board of a state electricity company in a different country to VCX but who resigned from it before accepting the position with VCX: and

* N, who is a qualified and experienced professional accountant

In relation to best practice in respect of Corporate Governance, which of the following statements are valid? Select ALL that apply

Options:

- A-** None of the executive directors should be allowed to sit on the Remuneration Committee
- B-** M is unsuitable to be part of the Board because his previous involvement with a similar company in another country is a conflict of interest.
- C-** L can now be considered to be an independent non-executive director
- D-** M and N are both suitable appointees to the Audit Committee
- E-** The Finance Director should be part of the Audit Committee because of her expertise
- F-** Non-executive directors should be responsible for monitoring the performance of executive management especially with regard to company strategy and objectives

Answer:

A, D, F

Question 5

Question Type: MultipleChoice

The Head of IT Security has been asked to conduct a detailed forensic analysis of a suspected data breach that led to customer credit card details being intercepted.

Which TWO of the following would be suitable objectives for such a forensic analysis?

Options:

- A- Recovering the stolen credit card details before they can be abused by criminals
- B- Developing an understanding of the vulnerabilities that led to the breach
- C- Identifying customers whose details have been stolen
- D- The collection of evidence that can be used to convict the perpetrators of the breach.
- E- Preventing the credit card companies from blaming the entity for fraudulent charges

Answer:

B, C

Question 6

Question Type: MultipleChoice

JKL is a retailer with more than 45 shops around the country. The directors suspect that a serious fraud has occurred at one of the branches and a team of internal auditors has been sent to investigate

An analytical review investigation shows that sales revenue is in line with budget, but overtime payments to shop staff exceed budget by 20%.

How should the internal audit team proceed?

Options:

- A- Increase the evaluation of control risk
- B- Conduct additional detailed testing on overtime payments
- C- Increase the evaluation of inherent risk
- D- Conduct additional detailed testing of all figures.

Answer:

B

Question 7

Question Type: MultipleChoice

Company directors who exercise executive share options generally resell the shares immediately, rather than holding them Which of the following best explains this behavior?

Options:

- A- The directors receive a risk-free gain
- B- Shareholders become nervous when the directors hold shares
- C- The shares are out of the money at the exercise date
- D- It is a conflict of interest for directors to be shareholders.

Answer:

A

Question 8

Question Type: MultipleChoice

The internal audit department has just completed an investigation into the HR department's procedures relating to new staff appointments The head of HR is unhappy with the draft report prepared by the lead internal auditor The report lists several cases in which appointments were made despite the fact that one or more of the entity's formal procedures were not followed

The head of HR has complained that the internal auditor's comments do not allow for the fact that the HR department's staff members are often very busy and do not always have time to conduct every check.

The internal auditor's comments also reflect a failure to complete documents. None of the omissions have led to the appointment of an unsuitable member of staff.

Which TWO of the following statements reflect an appropriate response by the board of directors to this report?

Options:

- A- Ignoring a compliance error altogether may undermine the control environment
- B- The procedures should be removed if the HR department staff believe that they are unnecessary
- C- The board should be seen to support the internal audit
- D- The errors are immaterial because they did not lead to an inappropriate appointment
- E- The members of staff responsible for these omissions should be subjected to disciplinary action

Answer:

C, E

Question 9

Question Type: MultipleChoice

COM is a well established company in the construction industry The company was founded by the Mac family 30 years ago and several family members still serve on the Board The company obtained a listing five years ago The Board has an appropriate balance between executive and non-executive members It also has audit remuneration and nomination committees The average age of board members is 68

COM is profitable but profit margins have been falling steadily and this year's revenues are lower than it was achieved last year The Board recognis thai it does not have a long term strategy in place and has been losing business to newer, more aggressive competitors

Which THREE of the following statements are correct?

Options:

- A-** The remuneration committee should consider incentives such as share options to encourage the Board to focus on COM's long term strategy
- B-** The nomination committee should have had a succession plan in place for directors.
- C-** The nomination committee should be operating for the benefit of the directors.
- D-** The audit committee should have alerted the Board to the impact of falling profit margins
- E-** The non-executive directors should have challenged the lack of long term strategic planning

Answer:

A, B, E

Question 10

Question Type: MultipleChoice

Which THREE of the following are true with regard to managing the changeover from an old to a new computer system?

Options:

- A-** Pilot changeover moves the simplest part of the business to the new system first
- B-** Parallel running involves keeping the old system running normally until certain data retention criteria are met or confidence is gained, while the new system deals with the new workload Data input is usually earned out on both systems
- C-** All methods of changeover carry high risk and it is the preparation consideration of data compatibility and data cleansing before the changeover which has the biggest impact on the smoothness of the transition
- D-** Phased changeover moves individual portions of the business to the new system one at a time
- E-** Direct changeover, or big bang, is only used when the systems are significantly different such that comparing the outputs of the two systems is largely irrelevant
- F-** Phased changeover is the safest and slowest method of changeover

Answer:

D, E, F

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