



CIMAPRA19-P03-1 Practice Questions

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Question 1

Question Type: MultipleChoice

A publicly funded hospital has put various features in place in an attempt to improve strategic control and create an improved control environment.

Which TWO of the following features are most likely to meet this objective?

Options:

- A- An Audit Committee consisting of five independent persons with expertise in finance, human resources, and medicine.
- B- A strict policy of capping the maximum salary payable to any employee at 110% of the average earned by that category of employee in the country in which the hospital is located.
- C- The setting up of a Risk Management Committee to examine the strategic risks applicable to the entity and to formally report on a quarterly basis.
- D- Ensuring that all medical staff are aware that their first priority should be to discharge patients as quickly as possible at all times so as to minimise wasting hospital resources.
- E- Ensuring that the Head of Internal Audit examines and authorises all expense claims by hospital staff.

Answer:

A, C

Question 2

Question Type: MultipleChoice

Under the COSO Enterprise Risk Management Framework, who is responsible for risk management?

Options:

- A- Every member of the entity.
- B- The board of directors only.
- C- Managers and directors only.
- D- The shareholders.

Answer:

A

Question 3

Question Type: MultipleChoice

The managers of a company are agents for the shareholderstasked with increasing shareholders' wealth. Which option best will usually increase shareholders' wealth?

Options:

- A- Investing in projects with the shortest payback period.
- B- Investing in projects with positive net present value.
- C- Investing in projects with the greatest level of risk.
- D- Not paying a dividend for several years in order to invest innew projects.

Answer:

B

Question 4

Question Type: MultipleChoice

S Doc is an out-of-hours service provided by a country's government. The service allows members of the public to call and speak to a nurse who can advise on medical situations which are not obviously emergencies. Depending on the situation the caller can be referred to the full emergency services, or be advised to go to Accident and Emergency at the nearest hospital. Alternatively, a callout from a general practitioner (GP) can be organised; the caller can be advised of where GP services are available; advice can be given over the phone; or a decision can be taken that no further action is required at least until normal services resume on the next working day.

There has been a suggestion that the nurses who take these calls could be replaced by suitably trained operatives who have available to them a specially designed expert system.

Which option best are advantages of using an expert system instead of nurses?

Options:

- A- The operatives would be too careful and thereforewould recommend unnecessary treatments or interventions.

- B- Some callers may present with complicated scenarios that a non-medically trained operative or expert system would be unable to recognise (for example, psychological issues).
- C- Using an expert system would make operatives less inclined to feel sorry for the caller and ensure that only relevant facts were considered in coming to a decision.
- D- The use of an expert system would ensure that only relevant questions were asked of the caller and that operatives did not miss something vital due to distraction or fatigue.
- E- The expert system will always follow the same path whereas the nurses may have more knowledge about some health issues and very little about others.

Answer:

C, D, E

Question 5

Question Type: MultipleChoice

With regard to the role of the audit committee which of the following statements are correct?
Choose ALL that apply

Options:

- A- The audit committee should design the system of internal controls
- B- The audit committee should decide annually whether it needs an internal audit function
- C- The audit committee should decide annually whether it needs an external audit function
- D- The audit committee should review and monitor the effectiveness of the company's internal audit function
- E- The audit committee should provide arrangements for whistle blowing
- F- The audit committee should engage consultants to carry out business reviews

Answer:

D, E, F

Question 6

Question Type: MultipleChoice

A consultancy firm has many overseas clients. The firm's staff are responsible for booking travel and accommodation through an independent travel agent who invoices the firm. There are strict rules governing bookings. Staff at all levels must book economy class fares unless the scheduled flight time is greater than eight hours, in which case they can book a business class seat. Hotel accommodation should cost less than \$300 per night.

One of the firm's directors is visiting the consultancy team responsible for a large overseas project. The director flew business class, even though the flight took only five hours. The director is booked into an executive suite at an expensive hotel at a cost of \$900 per night.

Which TWO of the following statements concerning the director's behavior are correct?

Options:

- A- Directors are not required to adhere to company policies in the same manner as more junior staff
- B- The travel agent's invoice should be queried by the consultancy's administrative staff.
- C- Staff may be encouraged to book more expensive flights and accommodation in the future
- D- In future, all staff should be permitted to fly business class and use more luxurious hotels
- E- Only the staff engaged on this project will be aware of the director's behavior

Answer:

B

Question 7

Question Type: MultipleChoice

Company directors who exercise executive share options generally resell the shares immediately, rather than holding them. Which option 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

Rio owns an architects business which employs 12 skilled architects and four administrative staff.

TheOfficeManagerhas just attended a workshop on internal controls and the way in which they can improve organisations. He intends to implement some internal controls as soon as possible.

What are the limitations of an internal control system in Rio's business?

Options:

- A- Internal controls are only suitable for large businesses.
- B- Employees could ignore the internal controls.
- C- If Rio does not support the internal control system then the controls may not be adhered to.
- D- Internal controls may slow down the speed with which the architects can respond to enquiries.
- E- Internal controls will usually mean hiring more staff.

Answer:

B, C, D

Question 9

Question Type: MultipleChoice

An electricity company owns and operates a nuclear power station located ten miles from a large city. A recent and very extensive engineering examination of the power station concludes with the estimate that the probability of a major nuclear disaster within the next 20 years is 0.2%.

Which of the following best explains the relevance of quantifying the risk in that way?

Options:

- A- There is no acceptable level of risk for a major nuclear accident and so the probability has little information value in itself.
- B- The probability is so low as to be ignored.
- C- The directors will be able to argue that they were not negligent in the event of a major disaster within the 20 year period.
- D- The calculation of a precise probability demonstrates that the engineers who conducted the inspection are experts in their field.

Answer:

A

Question 10

Question Type: MultipleChoice

Under the COSO Enterprise Risk Management Framework, who is responsible for risk management?

Options:

- A- Every member of the entity.
- B- The board of directors only.
- C- Managers and directors only.
- D- The shareholders.

Answer:

A

Question 11

Question Type: MultipleChoice

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

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

Which of the following would give Terry a false sense of assurance that Laura's checks have been operating?

Options:

- A- Terry examined a sample of invoices to make sure that they had been signed by Laura. All had been signed.
- B- Terry worked at a spare desk in the accounts department and quietly watched Laura without telling her. She checked every invoice carefully while Terry was present.
- C- Terry selected a sample of purchase invoices and compared each to the supporting documents that Laura is supposed to review. Every one of Terry's invoices was supported by the

related documents.

D- Terry asked Laura 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.

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

Answer:

A, B, C



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