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Question 1

Question Type: MultipleChoice

Which of the following are threats to the control environment?

Options:

- A- Directors not producing receipts for their expenses.
- B- Internal auditors not following up on internal control problems.
- C- Directors ignoring unethical practices that increase sales.
- D- Regularly changing procedures to comply with legislation.
- E- Allowing staff to follow unwritten policies.

Answer:

A, B, C

Question 2

Question Type: MultipleChoice

YUI owns 18 factories, which are spread around the country. Each factory employs 500-700 production staff and has its own administrative and accounts departments.

It has recently been discovered that the manager in charge of YUI's Hightown factory has been overstating his personal expenses claims for the past five years. The total amount stolen in this manner has been estimated at \$10,000.

Why would it have been relatively difficult to have prevented this fraud?

Options:

- A-** Senior members of management can often override controls.
- B-** It is impossible for anybody to check expenses claims submitted by a senior manager.
- C-** Managers are generally highly intelligent and are generally capable of designing ways to defeat control systems.
- D-** Internal controls cannot address fraud, only error.

Answer:

A

Question 3

Question Type: MultipleChoice

Company C wishes to recruit an employee who will have responsibility for, among other things, the receipt and handling of cash. Which THREE of the following would be most likely to provide useful information about the candidate from the point of view of the Internal Auditor?

Options:

- A- The candidate's academic qualifications.
- B- References from previous employers of the candidate.
- C- The candidate's personal referees.
- D- The candidate's membership of a professional body.
- E- Confirmation that the candidate does not have a criminal record.

Answer:

B, D, E

Question 4

Question Type: MultipleChoice

H is a departmental manager in a private college. The main measure of performance used to assess the Department Manager's effectiveness is meeting the college budgets. The budget for each year is based on the actual expenditure of the previous year adjusted for specific one-off items.

Which of the following would arise from using the meeting of this type of budget as a performance measurement?

Options:

- A-** Cost overruns because managers might fail to meet their budgets.
- B-** Managers taking on new projects that have too much risk attached to them.
- C-** Managers engaging in unnecessary spending in order to avoid having their budgets reduced the following year.
- D-** Management of various departments not cooperating sufficiently with each other because each is very concerned that to do so would incur extra costs against their budgets.
- E-** Management refusing to provide some necessary service to students (for example, extra tutorials) because it would cause their budget not to be met.
- F-** Management taking more than the optimal number of students into their department.

Answer:

C, D, E

Question 5

Question Type: MultipleChoice

Passwords are frequently used to control access to computer systems.

Which of the following characteristics should a password have in order to make it effective?

Options:

- A- Passwords should be short words or names that users will easily remember.
- B- Passwords should contain 20 characters or more.
- C- Passwords should be changed on a regular basis.
- D- The strength of a password is increased by using upper and lower case and including numerals.
- E- Passwords should be written down in a secret place.
- F- Passwords should never be shared.

Answer:

C, D, F

Question 6

Question Type: MultipleChoice

DFG's call centre budgets four minutes for its operators to deal with a customer's enquiry and conclude the call. Team leaders are evaluated on the basis of the average call length.

Simone is a team leader. Her team's average call length is five minutes and 30 seconds. Simone accepts full responsibility. She encourages her team members to check that the customer is satisfied before concluding the call.

On investigation, it was discovered that 2% of the customers who dealt with Simone's team had to call DFG again within seven days. Other teams had an average of 25% of customers call back within seven days because their first call had not fully resolved their problem.

Which of the following statements are true?

Options:

- A-** The use of average call length may be leading to dysfunctional behaviour.
- B-** Simone is in breach of call centre policy.
- C-** It would be better to evaluate team leaders on the basis of multiple criteria.
- D-** Team leaders should be responsible for setting policy on performance measurement within the call centre.
- E-** Average call length should be replaced with the average rate of return calls as the primary performance measure for team leaders.

Answer:

A, B, C

Question 7

Question Type: MultipleChoice

VBN is a multinational company that has 60 subsidiary companies that operate in 11 countries. VBN evaluates the performance of each subsidiary as an investment centre, using residual income to measure performance.

Which THREE of the following threats of dysfunctional behaviour may arise from VBN's use of residual income to measure subsidiaries' performance?

Options:

- A-** Subsidiary boards may actively hedge translation risks.
- B-** Subsidiary boards may take a short-term view to investment projects.
- C-** Subsidiary boards may waste time by arguing over transfer prices.
- D-** Subsidiary boards may waste time and incur unnecessary fees in order to recognise gains on the revaluation of property.
- E-** Subsidiary boards may be motivated to spend heavily on capital expenditure in order to ensure that budget allocations are maintained and even increased.

Answer:

A, B, C

Question 8

Question Type: MultipleChoice

GHY is a listed company. Tom is GHY's CEO and Peter is its non-executive Chair of the Board. Tom and Peter both have substantial relevant business and industrial experience and both are believed to have considerable integrity. Tom and Peter quickly developed a good working relationship after Peter's appointment. They have become close friends.

Tom briefs Peter on every aspect of the business. Tom and Peter jointly agree the agenda for every board meeting and both agree on the manner in which matters will be presented to the board.

Taking account of the principles of good corporate governance, which of the following statements is correct?

Options:

- A-** It is entirely appropriate that Tom and Peter have this kind of relationship and both are acting in the best interests of the company.
- B-** Non-contentious board meetings show how well Tom and Peter are running the company and shows that the management is cohesive.

C- The relationship between Peter and Tom may have a detrimental effect on company decision making as the Board is not always being informed about matters in an unbiased manner.

D- Since the non-executive chair clearly has a significant role within this company there is little danger that any individual will become excessively dominant.

Answer:

C

Question 9

Question Type: MultipleChoice

Which THREE of the following are principles of good corporate governance according to the UK Corporate Governance Code?

Options:

A- Leadership

B- Reliability

C- Remuneration

D- Honesty

E- Accountability

Answer:

A, C, E

Question 10

Question Type: MultipleChoice

Q is a company which generates electricity from alternative energy sources. It has just begun constructing a wind farm near a well-known beauty spot. The project has been controversial as campaigners say it will be noisy and unsightly.

The campaigners took legal action but lost the case. Some of them have started a campaign of direct action against Q and are physically blocking roads leading to the site and attempting to intimidate Q's staff.

Q has hired a security company to help it to protect its staff.

In relation to the ethics of this scenario, which of the following statements are valid?

Options:

- A- Q is within its rights to hire the security firm because it has duty of care to its employees.
- B- Q no longer has any duty of care to the protestors since their actions are illegal because they lost their court case.
- C- The security firm must take care not to use more force against the protestors than is absolutely necessary.
- D- Since the protestors have already lost their court case they would no longer be ethically justified in engaging in political lobbying to try to get the government to change the law in this area.
- E- The generation of electricity from clean, renewable and sustainable sources is too important for the protestors' concerns to be considered.

Answer:

A, C

Question 11

Question Type: Multiple Choice

You are a member of the Chartered Institute of Management Accountants (CIMA) and you have recently taken up the position of Sales Manager with a company that is facing financial difficulties. The company's terms include a commitment to maintain specified profitability, liquidity and solvency measures; failure to do so would render bank loans immediately repayable. The draft financial statements show that the company has not succeeded in complying with all of these requirements.

The financial results are very dependent on various estimates such as receivables impairments. The Chief Executive Officer (CEO) has suggested that these be recalculated so as to bring the financial results within the requirements of the bank. He has asked you to sign pre-dated internal documentation which would imply that, as Sales Manager, you initiated these changes in the belief that they would enhance the accuracy of the Financial Statements.

Which TWO of the following courses of action available to you would be ethically acceptable according to the CIMA Code of Ethics?

Options:

- A-** Refuse to sign the documentation on the grounds that you did not initiate this action, and to give the impression that you did would be unethical.
- B-** Agree to sign the documentation on the grounds that these matters are highly subjective anyway and the proposed changes are, at least, plausible.
- C-** Refuse to actually sign the documentation but make clear to the CEO that you will raise no objection if he amends the Financial Statements as if you had signed.
- D-** Seek legal advice on the matter because you feel you are being placed in a very difficult position.

Answer:

A, D

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