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One: True or false

		T or F
1	ISA are the applicable international external auditing standards, whereas IIA standards are applicable on internal audit profession.	T
2	The objective of recording only valid sales transactions is a reporting objective according to COSO.	F T
3	Internal Audit engagement objectives provide the foundation for defining the organizational business objectives.	F
4	CAE reports administratively to the general manager and functionally to the audit committee.	T
5	Independence refers to the organizational status of the Internal Audit function whereas objectivity refers to the attitude of individual internal auditors.	T
6	Co-sourcing of Internal Audit services is applicable if the organization is supplementing its internal audit function via the services of a third party provider.	T
7	CAE is the globally recognized certificate in Internal Audit and it stands for "Certified Internal Auditor".	F
8	Business objectives provide the foundation for determining internal audit engagement objectives.	T
9	Evaluating controls over compliance with company's health and safety policies and procedures is within the scope of internal auditing.	T
10	Internal audit provides assurance on the organization's governance, risk management, and control processes based on IIA standards to help the organization achieve its strategic, operational, financial, and compliance objectives.	T
11	Control is a process conducted by management to mitigate or reduce risks to acceptable levels.	T
12	Internal auditors, when providing assurance services, are not required by IIA to provide an opinion to management and board of directors on whether financial statements are presented fairly or not.	F T

Two: Fill in the blanks

1. The two primary users of internal audit reports are:

- a. BOD
- b. ~~IAE~~ Auditee / IA

2. During the planning phase of an internal audit engagement, the internal auditor is required to obtain an understanding of the auditee objectives and risks.

Good Luck

~~J. RUBA~~
MTOOR

BIRZEIT UNIVERSITY
FACULTY OF COMMERCE & ECONOMICS
ACCOUNTING DEPARTMENT

LECTURER: SHADI AL-HAJ

FIRST SEM.2021/2022
QUIZ - CHAPTER 5

ACCT. "337" INTERNAL AUDITING

Student Name & Number: 1183223 - RUBA MTOOR

Multiple Choice

True or False

13.5
15

1	A		1	B
2	B		2	B
3	C		3	A
4	A		4	A
5	A		5	B
6	C		6	B
7	B			
8	C			
9	C			
10	D			
11	B			
12	C			

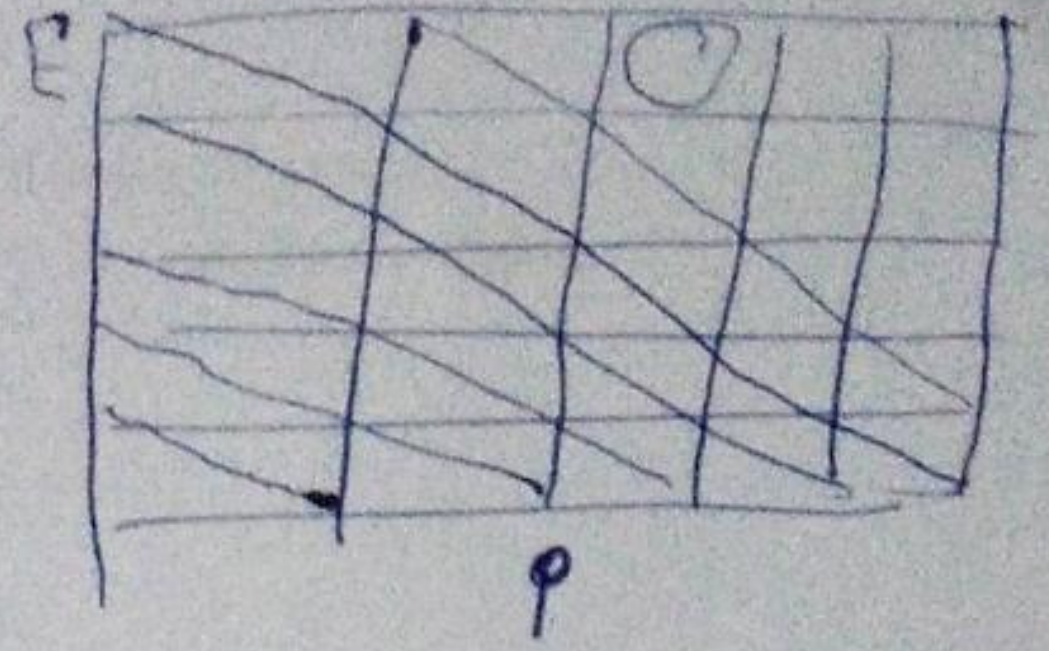
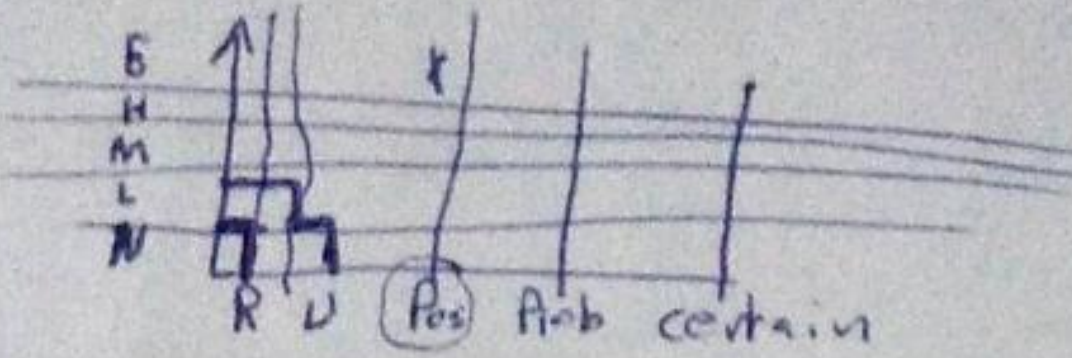
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2.5

Multiple Choice

1. The risk with extreme impact and possible likelihood is rated as:

- A. High risk
- B. Medium Risk
- C. Critical risk
- D. Risk rating



2. The highest likelihood of a risk using the five categories assessment is called:

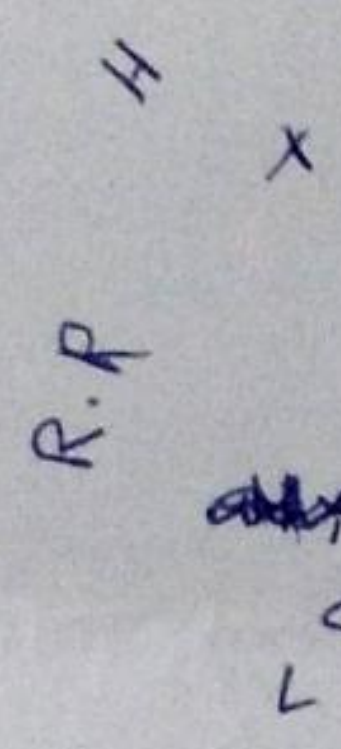
- A. Probable
- B. Certain
- C. Remote
- D. Negligible

3. Which of the following symbols in a process map will most likely contain a question:

- A. Terminator symbol
- B. Process symbol
- C. Decision symbol
- D. Activity symbol

4. If a risk appears in the top left corner of the control map, it means that:

- A. The risk is undercontrolled.
- B. There is appropriate balance between risk and control.
- C. The risk is overcontrolled.
- D. The controls may be adequate relative to the risk.

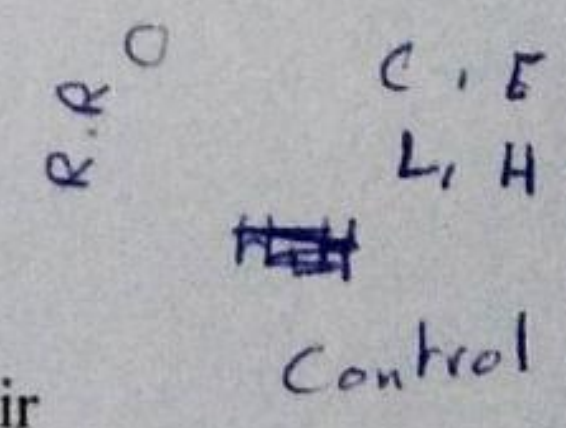


5. If a risk appears in the middle of the risk control map, it means that:

- A. There is appropriate balance between risk and control.
- B. There is no enough information to make a judgment.
- C. The controls may be excessive relative to the risk.
- D. The controls may be inadequate relative to the risk.

6. If a risk appears in the bottom right corner of the control map, it means that:

- A. The risk is undercontrolled. X
- B. There is appropriate balance between risk and control.
- C. The risk is overcontrolled.
- D. The controls may be adequate relative to the risk.



7. After business risks have been identified, they should be assessed in terms of their inherent:

- A. Likelihood and probability.
- B. Impact and likelihood.
- C. Impact and severity.
- D. significance and control effectiveness.

8. How does a control manage a specific risk?

- A. It prevents the occurrence of the event.
- B. It reduces the likelihood of the event giving rise to risk.
- C. It reduces either impact or likelihood or both.
- D. It reduces the likelihood of the event giving rise to risk.

- P-29/
9. The organization business model includes:
- ✓ A. The objectives of the organization.
 - B. How business processes are structured to achieve the organization's objectives
 - Ⓒ Both the objectives and the business processes necessary to achieve these objectives.
 - D. Control effectiveness and risk rating.
10. Top down approach:
- ✗ A. Used for documenting business processes.
 - ✗ B. Begins at the activity level.
 - ✗ C. Begins at the business process level.
 - Ⓓ Begins at the entity level with the organization's objectives and then identified key business processes critical to the success of each of the organization's objectives
11. Risk control map plots:
- A. Risk impact against control effectiveness.
 - Ⓓ Risk rating against control effectiveness.
 - C. Risk rating against control likelihood.
 - D. Risk impact against control likelihood.
12. Risk assessment model plots:
- A. Risk impact against control effectiveness.
 - B. Risk rating against control effectiveness.
 - Ⓒ Risk impact against risk likelihood.
 - D. Risk impact against control likelihood.

True /False

1. The two commonly used methods for understanding business processes are: process maps and process narratives.
A. True Ⓓ False
2. If a risk profile does not exist in the organization, the IAF will need to create the profile as the starting point for its annual audit planning.
A. True Ⓓ False
3. Despite of the tools available, the assessment of organizational risk remains a very subjective process that requires experience and sound judgement.
Ⓓ True B. False
4. Understanding the process begins with determining the key process objectives.
Ⓓ True B. False
5. With business process outsourcing, risk is completely transferred to outside provider and hence management will not be accountable for the risk.
A. True Ⓓ False
6. A company has recently outsourced its payroll process to a third-party service provider. The internal audit team canceled the audit engagement over the payroll process, which was scheduled prior to the outsourcing decision because processing is being now performed outside the organization.
A. True Ⓓ False

Good Luck

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FIRST SEM.2021/2022
MIDTERM EXAM

ACCT. "337" INTERNAL AUDITING

Student Name & Number: 1193223 RUBA MTOOR

24
30

Multiple Choice True or False

1	d	X	1	T
2	X		2	F
3	a		3	F
4	b		4	T
5	c		5	F
6	a		6	T
7	X		7	F
8	X		8	T
9	b		9	T
10	d.		10	F
11	X			
12	b			
13	d.			
14	d.			
15	c			

11

5

Fill in the blanks (10 points)

1- When selecting the appropriate risk response, management should consider the following three factors:

- I. Impact and likelihood of Risks.
- II. Assesse risks Quantitatively or Qualitatively
- III. 2-type of Risks → Inherent Risks
Residual Risks.

Average score of Impact and likelihood

2- The average score of "likelihood and impact" for a given risk is called

Risk Rating / Risk score

3- Due professional care does not mean that internal auditors cannot make mistakes or imperfect judgment, but rather that they will demonstrate the level of concern and competence expected of a professional.

4- Inherent Risk refers to risk that exist before implementing any controls.

5- The entity may select to complement its in-house internal audit function via the services of a third party service provider. This practice is called:

Co-sourcing

6- Monitoring is an ERM component that assesses the presence and functioning of internal controls over time.

7- Management assesses risks quantitatively or qualitatively based on two perspectives:

- i. Impact
- ii. likelihood

① Impact and likelihood of Risk

② Assesses risks quantitatively or qualitatively [Risk score]

③ 2-Type of Risks → Inherent Risks
Residual Risk

Multiple Choice (15 points)

1. Which of the following is /are an assurance engagement objective(s)?
 - a. Evaluate the design adequacy of payroll input process.
 - b. Assess the operating effectiveness of fixed assets controls.
 - c. Assess whether IT controls over bank transfers are operating as intended.
 - d. All of the above.

2. According to COSO ERM, all of the following are elements of an organization's internal environment except:
 - a. Establishing risk appetite.
 - b. Assigning authority and responsibility.
 - c. Setting organizational objectives.
 - d. Having independent directors on the board.

3. Assurance services which are conducted by internal auditors are best defined as:
 - a. Examinations of evidence for the purpose of providing independent assessments.
 - b. Advisory services intended to add value and improve an organization's operations.
 - c. Professional activities that measure and communicate financial and business data to management.
 - ^ d. Objective evaluations of compliance with policies, plans, procedures, laws, and regulations.

4. According to the Standards, which of the following must the internal audit manager think about when considering appropriate due care while planning an assurance engagement?
 - ^ a. The opportunity to train internal audit staff.
 - b. The cost of assurance in relationship to potential benefits.
 - c. Job openings in the area that may be of interest to internal auditors assigned to the engagement.
 - ^ d. The potential to deliver consulting services to the auditee.

5. Which of the following represents the best statement of responsibilities for enterprise risk management?

<u>Management</u>	<u>Internal Auditing</u>	<u>Board</u>
a. Responsibility for risk	Oversight role	Advisory Role
b. Oversight role	Responsibility for risk	Advisory Role
<input checked="" type="radio"/> c. Responsibility for risk ✓	Advisory Role ✓	Oversight role ✓
d. Oversight role	Advisory Role	Responsibility for risk

6. The Standards consist of three types of Standards. Which Standards apply to the nature and scope of internal auditing services?
 - a. Performance Standards -
 - b. Attribute Standards
 - c. Implementation Standards x
 - d. Independence Standards x

7. Internal auditors who fail to maintain their proficiency through continuing professional education could be found in violation of ...
- a. The International Standards for the Professional Practice of Internal Auditing.
 - b. The IIA's Code of Ethics.
 - c. Both a and b above.
 - d. None of the above.
8. In which of the following situations does an internal auditor potentially lack objectivity?
- a. A former purchasing assistant performs a review of internal controls over purchasing 14 months after being transferred to the internal audit department.
 - b. An internal auditor provides recommendations to the management and the board regarding the internal controls system.
 - c. Both a and b above.
 - d. None of the above.
9. Which of the following correctly states four components of ERM according to the COSO's framework?
- a. Internal environment, risk responses, monitoring, risk mitigation
 - b. Event Identification, risk assessment, control activities, and objective setting.
 - c. External environment, information and communication, monitoring, and event identification.
 - d. Strategic, operations, reporting, and compliance.
10. Charter is one of the more important factors positively affecting the internal audit activity's independence. Which of the following is most likely to be part of the charter?
- a. The length of employment for the CAE.
 - b. The department's access to personnel within the organization.
 - c. The department's access to records within the organization.
 - d. Both b and c.
11. Management has requested the internal audit activity to perform an engagement to recommend procedures and policies for improving management control over the telephone marketing operations of a major division. The CAE should:
- a. Accept the engagement, but indicate to management that, because recommending controls impairs independence, future engagements in the area will be impaired.
 - b. Not accept the engagement because internal audit activities are presumed to have expertise regarding accounting controls, not marketing controls.
 - c. Not accept the engagement because recommending controls would impair future objectivity regarding this operation.
 - d. Accept the engagement because objectivity will not be impaired.

12. Every assurance engagement should be performed with due professional care. In regards to due professional care, the standards require internal auditors to

- i. Consider the probability of errors and noncompliance.
- ii. Perform detailed tests of all transactions. ✖
- iii. Weight the cost of the assurance against its benefit. ✓

- a. i and ii only
- b. i and iii only
- c. ii and iii only
- d. i, ii, and iii

13. Which of the following is/are a component of the definition of internal auditing?

- a. A systematic and disciplined approach. ✓
- b. Helping the organization accomplish its objectives. ✓
- c. Independence and objectivity.
- d. All of the above. ✓

14. While planning an internal audit, the internal auditor obtains knowledge about the auditee to, among other things:

- ✖ a. Evaluate whether misstatements in the auditee's performance reports should be communicated to senior management and the audit committee.
- b. Test operating effectiveness of internal controls
- ✖ c. Make constructive suggestions to management concerning internal control improvements.
- d. Develop an understanding of the auditee's objectives and risks.

15. The principles set forth in the IIA Code of Ethics

- a. Describe the behavior norms expected of internal auditors.
- ✖ b. Are guidelines to assist internal auditors in dealing with engagement clients.
- c. Are interpreted by rules of conduct. ✓
- ✖ d. Apply only to internal auditors working in particular industries.

True (T) or False (F) (5 points)

1. Each individual internal auditor may not necessarily have the knowledge, skills, and other competencies needed to perform all types of internal audit engagements.

T / F

2. Internal auditors, when providing assurance services, are required by IIA to provide an opinion to board of directors on the fair presentation of the financial statements.

T / F

3. Objectivity refers to the organizational status of the Internal Audit function, whereas independence refers to the attitude of individual internal auditors.

T / F

4. Business objectives provide a foundation for determining internal audit engagement objectives.

T / F

5. The objective of recording only valid sales transactions is an operation objective according to COSO.

T / F

6. CAE reports administratively to the CEO and functionally to the BOD.

T / F

7. Persons transferred to, or temporarily engaged by, the internal audit activity may be assigned to provide consulting work to those activities they previously performed or for which they had management responsibility even if one year has not elapsed. However, the internal auditor should submit the report only to the external auditor.

T / F

8. Implementation standards are more strict and numerous for assurance services than those for consulting services.

T / F

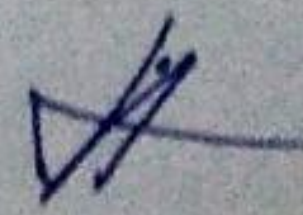
9. According to objectivity principle of the IIA Code of Ethics, internal auditors shall not accept anything that may impair their professional judgment.

T / F

10. Development of the internal audit charter is the responsibility of the Audit Committee Chairperson.

T / F

Good Luck



INSTRUCTOR: Hana Quffa

FIRST SEM. 2021/2022

MID-TERM EXAM

ACCT337

Student Name: Aseel Kana'n

Student #: 1190866

26/30

its part of the organization
employee

1. What is the primary difference between internal and external Financial reporting assurance services?

External Auditor: give ~~an~~ ^{annual} opinion about financial statements
Independence from the organization, users: for the third party

Internal Auditor: give reasonable assurance (improve via the recommendation) on risk management / Internal Control / Governance

users: Management / Internal Audit Committee
How can you add value as an internal auditor
by improving the opportunity to achieve business objectives
via assurance and consulting activities

throughout improve efficiency and effectiveness the risk management / Internal control / Governance, by analyze and assessments

3. objectivity An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. This requires internal auditors not to subordinate their judgment on audit matters to that of others.

4. Obtaining an understanding of the auditee or customer is an essential part of planning the engagement

5. List 3 of the competences needed as an internal auditor?

- 1) Skills / Knowledge / experience (about basics / element / practice)
- 2) Business process management
- 3) Business analyze and Information technology
- 4) Communicate with others effectively / Interpersonal skills
- 5) play role in Governance / risk man / Internal controls

7.5

6. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. This implies 3 general type of activities. What are those activities?

Risk-based and ~~also~~ objective assurance
risk-based and objective advice
risk-based and objective insight

7. Does drafting procedures for running a new computer application to ensure that proper controls are installed, Impair the independence of an internal auditor? shortly explain your answer?

8. Any relationship that is, or appears to be, not in the best interest of the organization. Defines Conflict of Interest

9. What does due professional care in the standards mean?

the care and skill expect ~~the~~ from the Internal Auditors show when they ~~perform~~ perform Internal Audit activity

10. The following cases violate the IA code of ethics for each case indicate what ethical standard was violated. if no violation occurred indicate that:

- a. Jalil is an Electrical engineer and is the head of the internal audit function he has no training as an auditor. Competency, the Internal Auditor must have sufficient knowledge, skill, experience
- b. Maha is an internal auditor her brother in-law is the CEO of the company; accordingly, she did not disclose some of her findings in the report as she did not want to hurt his feelings. objectivity because Maha ~~is~~ doesn't have biased attitude
- c. Jamal is an internal auditor he so a violation of the VAT law and did not report it to the audit committee. Integrity
- d. Jihad is the internal auditor his wife works for a competitor as head of marketing. no violation
- e. Majed in internal auditor while attending a party was telling her friends about a new market strategy her company is developing he doesn't respect the value and ownership of information. Confidentially

Which is it!!!

11. In your own words define the concept of Residual Risk

Residual Risk is, the net risk, ~~the risk after internal control~~ ~~the risk after internal control~~ the risk remain after the management decide take risk response

12. list four components of ERM according to the COSO's framework?

- 1) Internal environment
- 2) objective settings
- 3) event identification
- 4) Risk assessments

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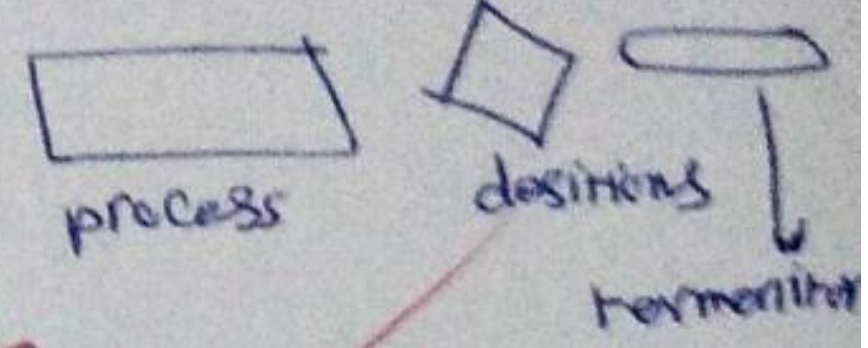
⑦ Its not Impair the Independance of Internal Auditor but its Impire the objectivity of Internal Auditor, Internal Auditors ~~is~~ should be Involved into day to day oprations, ~~and~~ because the drafting procedres is responsibility of the Manymnt and other personel f other process of running new computer-system should document the process to identify risk and control about the Independance its not Impaire because the organizational status of Internal Audit Function not affected, If the Manymnt ask the Internal audit to do it.

Yes if impaire independance
he will Review his own
work

13. A set of connected activities linked with each other for the purpose of achieving one or more business objectives is a definition of business process

14. How do we document a business process?

1) Map processes → by symbols ~~process~~ as



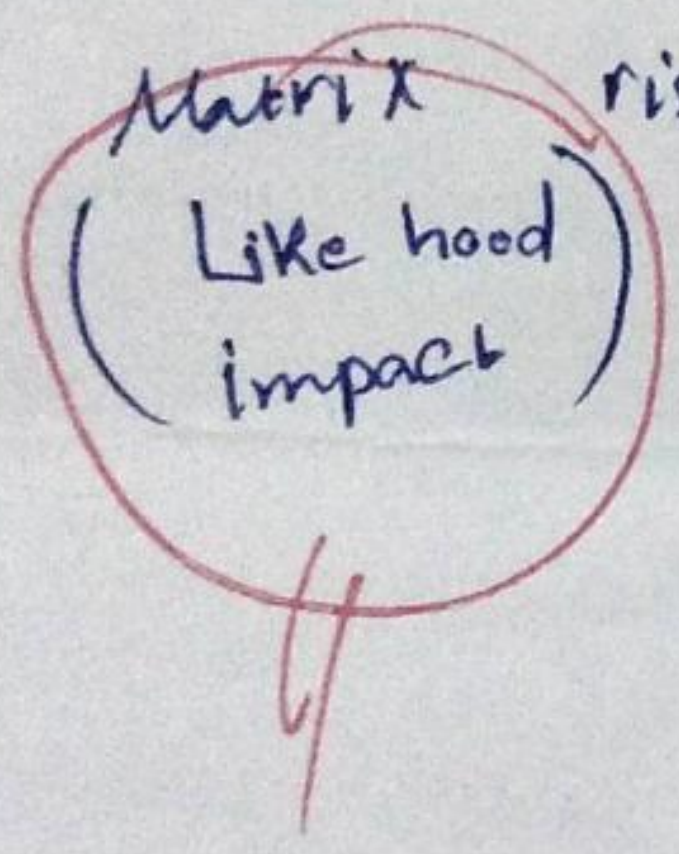
2) Narrative processes → by description It 2

15. The types and amount of risk, on a broad level, an organization is willing to accept in pursuit of value is known as risk tolerance. ?? appetite .o

16. What are the key components used to assess the severity of risk

1 Assessment of control effectiveness matrix (significance of risk/control effectiveness)

2 Matrix risk assessments



and Risk Rating

Cost and benefit

Risk residual and Risk tolerance

No need for all the

23.5