

# IIA-CIA-PART3<sup>Q&As</sup>

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### QUESTION 1

A network organizational structure is one in which:

- A. An employee reports to two bosses.
- B. Authority and responsibility are concentrated at the top of the organization.
- C. Labor is specialized.
- D. Major business functions are subcontracted to third-party providers.

Correct Answer: D

The subcontracting of major business functions to others is a feature of network structures.

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### QUESTION 2

An emerging industry is new or newly formed and is small in size initially. An emerging industry results from innovation, changes in cost structures, new customer needs, or another factor that creates an attractive opportunity for selling a product or service. Which of the following is a structural characteristic of an emerging industry?

- A. A long time horizon for product development.
- B. Low initial costs and a shallow learning curve.
- C. Mobility barriers include economies of scale and brand identification.
- D. The presence of embryonic companies and spinoffs.

Correct Answer: D

Embryonic companies (firms newly formed and not new units of established entities) are numerous in the emerging phase of industry evolution. Entry is not discouraged by the presence of economies of scale or strategic certainty. Spin-offs from existing firms also are common. Given the strategic uncertainties and the lure of equity interests, employees of these firms may have the incentive, and be well-placed, to create new firms. Their motive is to exploit ideas that may not have received a favorable reception by their former employers.

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### QUESTION 3

Which one of the following techniques is not generally recognized as an effective conflict resolution technique for management to use in a dispute between employees?

- A. Accommodation - management encourages a high degree of cooperation and a low degree of assertiveness.
- B. Competition - management encourages the parties to seek their own interests, regardless of the effect on each other.
- C. Reorganization - management transfers one of the disputants to another department.
- D. Compromise - management persuades each party to make concessions.

Correct Answer: B

Competition is a conflict-handling intention characterized by considerable assertiveness (the degree to which the party seeks to achieve his/her goals) and a low degree of cooperativeness (the degree to which the party attempts to satisfy the concerns of others).

Encouraging competition stimulates conflict.

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#### QUESTION 4

Which of the following is key to any plan to empower teams?

- A. Give structure to team members.
- B. Monitor progress and offer timely feedback on performance.
- C. Reduce authority of the team when mistakes are made.
- D. Avoid tension and conflict within the team.

Correct Answer: B

Members of a team are empowered when they are properly trained and equipped, have the relevant information they need, are fully involved in decision making, and receive fair compensation for their work. Monitoring and feedback are keys to maintaining empowerment because they are necessary to team effectiveness. Team effectiveness is reflected in achievement of objectives, innovation, adaptability, commitment, and favorable evaluations by senior management.

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#### QUESTION 5

A milk producer company acquires its own dairy farms to supply milk. The growth strategy adopted by the company is:

- A. Horizontal integration.
- B. Vertical integration.
- C. Concentric diversification.
- D. Conglomerate diversification.

Correct Answer: B

Vertical integration occurs when a company becomes its own supplier or distributor. It combines within a firm production, distribution, selling, or other separate economic processes needed to deliver a product or service to a customer.