

# IIA-CFSA<sup>Q&As</sup>

Certified Financial Services Auditor

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**QUESTION 1**

In variable life insurance the number and type of insurance choice available are dependent on insurer, but some policies are available with a wide variety of separate accounts also known as:

- A. Super accounts
- B. Child accounts
- C. Sub accounts
- D. Special accounts

Correct Answer: C

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**QUESTION 2**

Continuous auditing is a method used to automatically perform control and risk assessment more frequently. Technology is the key to enable such an approach. Continuous auditing changes the audit paradigm from periodic reviews of a sample to ongoing audit testing of \_\_\_\_\_ percent of transactions.

- A. Ninety
- B. Ninety nine
- C. Seventy
- D. Hundred

Correct Answer: D

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**QUESTION 3**

System tailoring is accomplished by setting optional system parameters and, therefore, has an impact on system performance and security. Control techniques for system's software include:

- A. Setting appropriate system parameters and security options for operating system
- B. Verifying the accuracy of output through manual or automated reconciliation activities
- C. Using the security features of security software effectively
- D. Controlling procurement and maintainance of software licenses

Correct Answer: ACD

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**QUESTION 4**

\_\_\_\_\_ are future economic benefits controlled by an entity.

- A. Stocks
- B. Assets
- C. Equity
- D. None of these

Correct Answer: B

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**QUESTION 5**

It is a contract that defines corporation and bondholders responsibilities and is designed to protect the right of the bondholders. A trustee (most often a commercial bank) is generally appointed to ensure that the obligations defined in the agreement are of trust indenture must e filled with SEC. What is it?

- A. Bond certificate
- B. Trust indenture
- C. Secured bonds
- D. Collateral trust

Correct Answer: B

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**QUESTION 6**

The fund prospectus is the document that provides a general overview and description of the fund. The intent is to provide a potential investor with enough information to make a sound financial decision. The following information is generally placed in a prospectus EXCEPT:

- A. General description of the fund
- B. Condensed financial information (including annual rate of return and fees)
- C. All the management staff
- D. How to purchase and redeem shares

Correct Answer: C

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**QUESTION 7**

Insurance in law and economics, is a form of risk management primarily used to:

- A. Hedge again risk of potential financial loss
- B. Lock the risk of potential financial losses
- C. Both the statements are one and the same

D. None of these

Correct Answer: C

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**QUESTION 8**

I. Surrender Changes

II. Mortality and Expense risk change

III. Administrative Fees

IV.

Underlying funds expenses

V.

Fees charges for other features

These are the charges which investors pay when they invest in:

A.

Variable annuity

B.

Fixed annuity

C.

Mixed annuity

D.

Both B and C depends upon situation

Correct Answer: A

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**QUESTION 9**

Management of the lending institution sets a reserve for loan losses at a given point based on such factors as mentioned below EXCEPT:

A. Number and type of loans made

B. Quality of loans made

C. Historical loss experience

D. Loan portfolio

Correct Answer: D

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## QUESTION 10

Which of the following is NOT included in the list of principles for formulating well- stated audit objectives?

- A. Clearly identify the client
- B. Clearly identify the type of performance to be audited and separate objectives if more than one element of performance is to be reviewed
- C. Frame objectives that consider a realistic scope and methodology
- D. Onsite Observation

Correct Answer: D

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## QUESTION 11

Insurance industry is regulated by:

- A. State Governments
- B. Federal Government
- C. Non-Government
- D. All of these

Correct Answer: D

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## QUESTION 12

Considerations for determining required audit resources include:

- A. Training needed by the audit staff to meet the audit objectives
- B. Contractual assistance needed to meet the audit objectives
- C. Both A and B
- D. None of these

Correct Answer: C

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## QUESTION 13

A residential mortgage-related security that is rated investment grade or is the credit equivalent thereof, or a residential mortgage security that is rated investment grade in one of the two highest investment grade rating categories. It usually

qualifies as:

- A. Type II Securities
- B. Type III Securities
- C. Type I Securities
- D. Type IV Securities

Correct Answer: D

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## QUESTION 14

The major benefit of risk assessment is:

- A. To staff the plans and financial budgets
- B. To consider factor that may affect risk and giving the highest priority to audit areas that have the highest potential for adverse consequences
- C. To identify the possible adverse effects based solely on the type of activity, the type of resources, amount of assets or complexity of transactions
- D. Failure to achieve the organization's goal and objectives

Correct Answer: B

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## QUESTION 15

Which one of the following does NOT depicts a common indexing method?

- A. The annual ratchet
- B. The point to point method
- C. The high water mark method
- D. The low water mark method

Correct Answer: D

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