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## Certified Internal Auditor - Part 4, Business Management Skills

IIA IIA-CIA-Part4

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## QUESTION NO: 1

A firm that moves from not exporting on a regular basis to establishing plants in foreign countries has

- A. Globalized.
- B. Nationalized.
- C. Glocalized.
- D. Internationalized.

**ANSWER: D**

### Explanation:

The internationalization process is of crucial interest to nations that wish to encourage local firms to grow and to operate globally. According to Swedish researchers, it involves the following steps:

- (1) Lack of regular exports;
- (2) export via independent agents with a few markets, with later expansion to more countries;
- (3) creation of sales subsidiaries in larger markets;
- (4) establishment of plants in foreign countries.

## QUESTION NO: 2

The biggest advantage of oral communication over written communication is that oral communication

- A. Tends to be more accurate.
- B. Promotes feedback.
- C. Is less time-consuming.
- D. Does not provide a permanent record.

**ANSWER: B**

### Explanation:

Oral communication promotes immediate feedback so that the sender knows that the message has been clearly received by the receiver.

## QUESTION NO: 3

A lack of cohesiveness and attractiveness in a group may lead to

- A. A lack of commitment by the members.
- B. Dissension in the formal organization.
- C. Cooperation among group members.
- D. Substantial group member interaction.

**ANSWER: A**

**Explanation:**

Commitment to a group depends on the group's attractiveness and cohesiveness. A lack of commitment may lead to members joining other groups and bad experiences with the group.

**QUESTION NO: 4**

Which of the following constitute initiating structure behavior?

- I. Defining duties
  - II. Planning and organizing work
  - III. Helping with work-related problems
- A. I and II only.
  - B. I and III only.
  - C. II and III only.
  - D I, II, and III.
- D. Defining duties
  - II. Planning and organizing work
  - III. Helping with work-related problems

**ANSWER: A**

**Explanation:**

Initiating structure behavior is directed towards accomplishing tasks. Structure includes defining duties, establishing procedures, planning and organizing work. Consideration, on the other hand, is the establishment of a personal relationship between the leader and the subordinate. High consideration by the leader includes warmth towards the employee as a person, psychological support for the employee, and helpfulness with work-related problems.

**QUESTION NO: 5**

Strategic control measurements that relate to external effectiveness concern customer satisfaction at the:

- A. Departmental level.

- B. Business-operating-system level.
- C. Business-unit level.
- D. Work-center level.

**ANSWER: B**

**Explanation:**

Strategic controls should be established to monitor progress, isolate problems, identify invalid assumptions, and take prompt corrective action. As plans are executed at each organizational level, control measurements are made to determine whether objectives have been achieved. Thus, objectives flow down the organizational hierarchy, and control measures flow up. One category of strategic control measures relates to external effectiveness. At the business- operating-system level, these measures concern satisfaction and flexibility.

**QUESTION NO: 6**

Motivation is:

- A. The extent to which goal-specific performance is recognized by supervisors.
- B. The extent to which individuals have the authority to make decisions.
- C. The extent of the attempt to accomplish a specific goal.
- D. The desire and the commitment to achieve a specific goal.

**ANSWER: D**

**Explanation:**

Motivation is the desire to attain a specific goal (goal congruence) and the commitment to accomplish the goal (managerial effort). Managerial motivation is therefore a combination of managerial effort and goal congruence.

**QUESTION NO: 7**

Added-value negotiation is characterized by:

- A. One party approaching another with a proposal.
- B. A series of offers and counteroffers between the negotiating parties.
- C. Two parties making multiple deals.
- D. One party quickly conceding to the demands of the other.

**ANSWER: C**

**Explanation:**

The basic principle of added-value negotiation is that the parties make multiple deals to add value to the process. The parties mutually clarify their common interests, identify options or the range of values each side can offer the other, and design alternative deal packages. Each package should be a win-win offer consisting of groups of the values identified in the previous step.

## QUESTION NO: 8

Which of the following is most likely to be a disadvantage of decentralization?

- A. Lower-level employees will develop less rapidly than in a centralized organization.
- B. Top management will have less time available to devote to unique problems.
- C. Lower-level managers may make conflicting decisions.
- D. Lower-level managers may lose motivation.

## ANSWER: C

### Explanation:

The disadvantages of decentralization include a tendency to focus on short-run results to the detriment of the long-term health of the entity, an increased risk of loss of control by top management, the increased difficulty of coordinating interdependent units, and less cooperation and communication among competing decentralized unit managers.

## QUESTION NO: 9

Which of the following would not be considered a conflict trigger?

- A. Ambiguous jurisdictions.
- B. Competition for scarce resources.
- C. Status differential.
- D. Super ordinate goals.

## ANSWER: D

### Explanation:

An appeal to super ordinate goals is a means of resolving conflict. Super ordinate goals are overriding, common goals of the parties. The conflict can be resolved if the individuals involved understand that it is preventing them from achieving more important, mutually held goals.

## QUESTION NO: 10

Which of the following is a disadvantage of a flat organizational structure?

- A. Employees are not encouraged to be creative.

- B. The input of fresh ideas from outside the company is limited because employee turnover is low.
- C. Managers spend too much time training individuals and not enough time supervising.
- D. Employees may not be performing work tasks properly.

**ANSWER: D**

**Explanation:**

A flat organizational structure concentrates decision-making authority at one level. Tasks and performance objectives may be unclear to employees because of a lack of supervision.

## QUESTION NO: 11

Informal groups often have many favorable effects on the members. Which of the following is one of the favorable effects informal groups have on members but that may have an unfavorable effect on the organization?

- A. Informal groups aid in problem-solving situations.
- B. Informal groups improve coordination and reduce supervision required.
- C. Informal groups reduce tension and encourage production.
- D. Informal groups provide another channel of communication.

**ANSWER: D**

**Explanation:**

The additional channel of communication is a benefit to the informal group but may cause problems for the organization depending upon what messages are being communicated. This grapevine may cause the spread of false rumors or information and could be detrimental to the organization.

## QUESTION NO: 12

Which particular type of organization structure will likely have unity-of-command problems unless there is frequent and comprehensive communication between the various functional and project managers?

- A. Line and staff.
- B. Strategic business unit.
- C. Centralized.
- D. Matrix.

**ANSWER: D**

**Explanation:**

A matrix structure allows authority to flow both vertically and horizontally. A manager is appointed for each project and draws on personnel who are organized by function and report to a manager for each function. This violates the principle of unity of command, which states that each subordinate should have only one superior.

## QUESTION NO: 13

Industry structure and competition during the decline phase may result in intense and destructive competition. Which factor is most likely to contribute to this condition?

- A. Firms do not expect demand to rebound.
- B. The decline is rapid.
- C. Attractive substitutes are not available.
- D. Specialized assets used in the industry have low liquidation values.

## ANSWER: D

### Explanation:

High exit barriers may restrain firms from leaving the industry even though their returns are poor. For example, specialized assets and inventory in a declining industry may have a low liquidation value. Few purchasers who wish to operate in the same industry may be available. Durable assets may have a carrying amount far greater than the liquidation value. Hence, liquidation may result in a loss that the firm may not wish to recognize. Furthermore, a low liquidation value means that the future discounted cash flows from remaining in the industry may exceed the opportunity cost of the capital invested in the declining industry. Thus, the returns from the proceeds of liquidation may be less than the returns from keeping those assets in the business.

## QUESTION NO: 14

Which type of organization is based upon strategic long-term relationships based upon implicit contracts and coordination through adaptation?

- A. Hourglass organization.
- B. Cluster organization.
- C. Network organization.
- D. Virtual organization.

## ANSWER: C

### Explanation:

A network organization is a network based upon coordination through adaptation. It also is based upon long-term relationships without specific legal ties.

## QUESTION NO: 15

The method of principled negotiation is based on which of the following principles?

- I. Separate the people from the problem.
  - II. Focus on positions, not interests.
  - III. Invent options for mutual gain.
  - IV. Insist on using subjective criteria.
- A.** I and II only.
- B.** I and III only.
- C.** I, II, and III only.
- D.** II, III, and IV only.
- E.** Separate the people from the problem.  
II. Focus on positions, not interests.  
III. Invent options for mutual gain.  
IV. Insist on using subjective criteria.

**ANSWER: B**

**Explanation:**

The principled negotiation method focuses on basic interests, mutually satisfying options, and fair standards. The basic principles include (1) separating the people from the problem; (2) focusing on interests, not positions; (3) inventing options for mutual gain; and (4) insisting on using objective criteria.

## QUESTION NO: 16

Which of the following actions taken by management would not be effective in motivating an employee to superior performance?

- A.** Job enlargement.
- B.** Job enrichment.
- C.** Job security.
- D.** Job rotation.

**ANSWER: C**

**Explanation:**

Frederick Herzberg's two-factor theory of human behavior postulated that there are two classes of factors in the job situation. Dissatisfiers (maintenance or hygiene factors) are found in the job context. Their presence will not especially motivate people, but their absence will lead to diminished performance. They include company policy and administration, supervision, working conditions, interpersonal relations, salary, status, and job security.

## QUESTION NO: 17

Edward T. Hall has distinguished between high-context and low-context cultures. Which culture is high-context?

- A. United States.
- B. Canada.
- C. Germany.
- D. Japan.

**ANSWER: D**

### Explanation:

Hall drew a distinction between high-context and low-context cultures. In high-context cultures (e.g., Japanese, Chinese, Arabic, and Korean), much meaning is transmitted by nonverbal cues and situational circumstances. Thus, a person's status in a firm, rank in society, and reputation convey the primary message.

Section 2: Sec Two (51 to 90)

Details:

Industry and Market Analysis

## QUESTION NO: 18

A project coordinator for a large capital project used a brainstorming session of the senior project managers to decide how to get the project back on schedule. A disadvantage of this approach is that:

- A. Responsibility for the decision will be unclear.
- B. Only situational factors will be addressed.
- C. Creativity will be decreased.
- D. Diversity of views will be decreased.

**ANSWER: A**

### Explanation:

Brainstorming is an aid to creativity in group decision making. This technique requires a group meeting, possibly online, to develop solutions in a criticism-free context. All ideas are recorded and are later either discarded or more fully developed. Thus, a nonjudgmental environment is essential. Moreover, to create such an environment or to avoid having personality conflicts interfere with the process, a means of conferring anonymity on the participants is sometimes used. However, brainstorming suffers from a structural weakness of group decision making, dispersal of accountability.

## QUESTION NO: 19

In a SWOT analysis, a firm considers macroeconomic factors when it identifies:

- A. The capability profile.
- B. Opportunities and threats.
- C. Core competencies.
- D. Strengths and weaknesses.

**ANSWER: B**

**Explanation:**

Opportunities and threats (the external environment) are identified by considering macro environmental factors (economic, demographic, political, legal, social, cultural, and technical) and micro environmental factors (suppliers, customers, distributors, competitors, and other competitive factors in the industry).

**QUESTION NO: 20**

A Theory X manager most likely believes that employees:

- A. Require little supervision.
- B. Are creative and imaginative.
- C. Need direction and security.
- D. Solve problems outside their immediate control.

**ANSWER: C**

**Explanation:**

In the 1960s, Douglas McGregor developed two theories to describe the extremes of managers' views of human nature. Theory X is a negative view of people and the way they interact with the organization. Theory X assumes that people dislike work, must be threatened with punishment to work toward organizational objectives, require close supervision, avoid responsibility, and crave security.