



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

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### QUESTION 1

In which industry structure is differentiation absent, and all sellers charge the same price?

- A. Monopoly.
- B. Monopolistic competition.
- C. Oligopoly.
- D. Pure competition.

Correct Answer: D

An industry consists of firms selling products or services that are substitutes. One way to describe an industry considers the number of sellers and the extent of differentiation of products and services. In pure competition, differentiation is absent, and the same prices are charged by all sellers.

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### QUESTION 2

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.

Correct Answer: C

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.

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### QUESTION 3

Senior management is trying to decide whether to use the direct write-off or allowance method for recording bad debt on accounts receivables.

Which of the following would be the best argument for using the direct write-off method?

- A. It is useful when losses are considered insignificant.
- B. It provides a better alignment with revenue.
- C. It is the preferred method according to The IIA.



D. It states receivables at net realizable value on the balance sheet.

Correct Answer: B

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#### QUESTION 4

The STEP model is consistent with which organizational philosophy?

- A. Self-managed teams.
- B. Open-book management.
- C. Impression management.
- D. Group development.

Correct Answer: B

Open-book management involves sharing important financial information with trained and empowered employees. The first step is to share S) the financial information with the employees. Next, management must teach T) the employees how to understand the information and use it to the benefit of the organization. Then, management empowers E) the employees to act on the information given. Finally, the employees are paid P) for their accomplishments.

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#### QUESTION 5

A firm in a declining industry that adopts a harvest strategy assumes that:

- A. Intense competition is absent.
- B. Pockets of stable demand still exist.
- C. The highest recovery is obtainable by early sale.
- D. Aggressive marketing will drive out competition.

Correct Answer: A

A harvest strategy is in effect a controlled, gradual liquidation. It maximizes cash flow by minimizing new investment, RandD, advertising service, maintenance, etc., and by exploiting the firm's remaining strengths (e.g., goodwill) to increase prices or maintain sales volume. To be successful, the strategy assumes that the firm has certain strengths and intense competition is absent. The strengths permit the firm to maintain sales for a time in the face of price increases, reduced advertising, etc. Absence of intense competition means that other firms will be less likely to seize market share or lower prices. Moreover, a firm must be capable of cost reductions that do not cause immediate failure.

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