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QUESTION 1

Strategic control measurements of financial results relate to:

- A. Internal efficiency at the business-unit level.
- B. Internal efficiency at the departmental level.
- C. External effectiveness at the business-unit level.
- D. External effectiveness at the business-operating-system level.

Correct Answer: A

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. A second category of strategic control measures relates to internal efficiency. At the business-unit level, the latter measures concern financial results.

QUESTION 2

The dominant firm in a market pursues a market-leader strategy. This strategy may involve:

- A. Holding the market stable to avoid attracting new competitors.
- B. A flank defense to strengthen the firm's brand.
- C. Sending market signals as a mobile defense.
- D. Innovations as an offensive strategy.

Correct Answer: D

Constant innovation to improve products and services, control costs, and increase distribution effectiveness is the basis for a good offensive strategy. The leader must continuously improve the value offered to customers.

QUESTION 3

Which method of expanding into international markets is most likely the riskiest?

- A. A local storage and sale arrangement.
- B. Local component assembly.
- C. Direct investment.
- D. Joint venture.

Correct Answer: C



Direct investment has many advantages:

- (1)
cheaper materials or labor,
 - (2)
receipt of investment incentives from the host government,
 - (3) a strong relationship with interested parties in the host country,
 - (4) control of the investment,
 - (5)
a better image in the host country,
 - (6)
market access when domestic contest rules are in effect. However, direct investment is risky because of exposure to currency fluctuations, expropriation, potentially high exit barriers, and restraints on sending profits out of the country.
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QUESTION 4

According to a model suggested by Arthur D Little, a consulting organization, market share will tend to

- A. Increase after gains in mind share but not heart share.
- B. Decrease after losses in heart share but not mind share.
- C. Increase after gains in mind share and heart share.
- D. Not be affected by changes in mind share and heart share.

Correct Answer: C

Arthur D Little suggests a three-factor model for assessing a competitor's current and future market share. Market share is the share of the target market. Mind share is the percentage of customers who name the firm as the first that comes to mind in the industry. Heart share is the percentage of customers who name the firm as the one from which they "would prefer to buy." A competitor that improves its mind share and heart share will ultimately increase its market share and profits.

QUESTION 5

Which of the following is not an appropriate approach to team building?

- A. Ensuring a balance of complementary team roles.
- B. Choosing members who need to improve skills.
- C. Developing clear and shared values.
- D. Selecting team members based on how the members are likely to relate to each other.

Correct Answer: B



A team is most likely to be effective when it is fully empowered. Empowerment follows from properly training and equipping team members, and providing them with all necessary information. A team will not be effective if its members lack the needed skills.

QUESTION 6

Which of the following characteristics is common with a mature group?

- A. Harmony is emphasized at the expense of addressing the problems.
- B. No attempt to force unanimity.
- C. Members begin to identify with the group.
- D. Redistributions of power and authority may occur.

Correct Answer: B

A mature group is in the end stage of group development and tends to be more effective and productive compared to groups in earlier stages. A mature group engages in rational discussion of decisions with tolerance of dissent and no attempt to force unanimity.

QUESTION 7

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.

Correct Answer: A

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 8

Leadership styles differ depending upon the personality type of the individual leader. A risk averse leader will generally:

- A. Make decisions more slowly.
- B. Require less information than a risk taker.
- C. Maintain status differences between with others.



D. Work well in participative efforts where joint responsibility is assumed by several people.

Correct Answer: A

A risk averse leader will avoid risky situations, make decisions more slowly, and seek more information than a person who is described as a risk taker.

QUESTION 9

"But I mailed the order 4 weeks ago, giving the supplier plenty of time," said the parts manager when asked why a critical part was not available. The most likely reason for this failed communication between the parts manager and the supplier was?

- A. Lack of feedback.
- B. Confusing language.
- C. Inappropriate medium.
- D. Perceptual selectivity.

Correct Answer: A

The effectiveness of communication can be determined only by the sender seeking feedback and observing the impact of the communication on the receiver. The sender is obligated to solicit feedback to ensure that the communication process is complete. The receiver should give feedback to the sender. The importance of feedback to check the effectiveness of the communication process indicates the limitations of one-way communications e.g., memos). Effectiveness can only be measured when the sender perceives a change in the receiver's behavior. Thus, the parts manager the sender) should have sought and the supplier the receiver) should have provided, feedback.

QUESTION 10

Two managers were discussing the merits of goal setting to improve employee performance. One manager felt that specific goals should not be established and that, to provide for flexibility, only generalized goals should be used. The other manager felt that specific, difficult goals produce the best results. As the discussion continued, other methods of goal setting were identified. Select the best method for setting goals.

- A. The manager should provide generalized goals.
- B. The manager should select specific, difficult goals.
- C. The employee should develop generalized goals and obtain management concurrence.
- D. The employee should develop specific, difficult goals and obtain management concurrence.

Correct Answer: D

According to Edwin Locke's goal-setting theory, specific, difficult goals to which the employee is committed provide the best motivation tool. Performance improves when goals are specific rather than general, difficult rather than easy, and self-set rather than imposed by others. Feedback, especially self-generated feedback, also improves performance compared with lack of feedback. Commitment to goals, that is, a determination not to reduce or abandon them, and self-efficacy, that is, a belief in one's ability to accomplish the task, are additional qualities that result in better performance.



QUESTION 11

Communication is the process by which meaning is conveyed between people. According to communications theory:

- A. The process has three elements: sender, medium, receiver.
- B. One-directional communication is usually most effective.
- C. Communication is the message actually received, not what is transmitted.
- D. Informal communications are usually to be avoided because of their inaccuracy.

Correct Answer: C

The communication process has five elements: the sender, the symbols in which the message is encoded, the medium through which the message flows, the receiver, and feedback. Because the effectiveness of communication can be known only by its impact on the receiver and the perceived change in the receiver's behavior, the received message is what is communicated. The sent message may be garbled in encoding, in transmission, or in the receiver's decoding.

QUESTION 12

Which factor signals a favorable structure in the remaining pockets of demand in a declining industry?

- A. Innovation.
- B. High switching costs.
- C. Changes in the needs or tastes of customers.
- D. Reduction in the size of a customer group.

Correct Answer: B

The structure of the remaining pockets of demand determines whether the surviving firms can be profitable. Prospects are favorable if the pockets include price-insensitive buyers of highly differentiated products. Prospects also are favorable if buyers have little bargaining power because of high switching costs or other factors, such as the need to replace the equipment of the suppliers that have withdrawn from the industry. Furthermore, firms operating in remaining pockets may thrive if mobility barriers are high (preventing firms in other segments from competing) and if substitute products or strong suppliers are not threats. High switching costs mean that buyers are less likely to purchase substitutes. Thus, future demand is more certain, and the structure is more favorable.

QUESTION 13

The competitive factor that may lead to industry overcapacity is

- A. A favorable interest rate charged by suppliers of capital.
- B. A short lead time for capacity expansion.
- C. The existence of first mover advantages.



D. Integration of competitors.

Correct Answer: C

First mover advantages may be significant. Thus, short lead times for ordering equipment, lower costs, and the ability to exploit an excess of demand over supply may encourage too many firms to expand.

QUESTION 14

Cultures have been described as low-context or high-context. Which culture is high- context?

- A. Germany.
- B. Saudi Arabia.
- C. Great Britain.
- D. Swillerland.

Correct Answer: B

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. In low- context cultures (e.g., Northern Europe and North America), primary messages are transmitted verbally. Hence, precise written contractual agreements are highly valued. In contrast, social events are more highly valued in a highcontext culture.

QUESTION 15

Patents are granted to encourage firms to invest in the research and development of new products. Patents are an example of

- A. Vertical integration.
- B. Market concentration.
- C. Entry barriers.
- D. Collusion.

Correct Answer: C

Entry barriers exist in all market structures other than perfect competition. The fewer the firms in an industry, the greater the barriers tend to be. Entry barriers include the existence of substantial economies of scale (low unit costs can be achieved only by large producers). They also include barriers created by existing firms. For example, large advertising expenditures may be necessary to compete. Control of raw materials or technology is another barrier. Consequently, patents held by existing firms may serve as an entry barrier because they prevent potential competitors from using certain technology. Patents are rights granted by the federal government to inventors to allow them the exclusive use of their inventions for a specific.



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