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QUESTION 1

A company sells a diverse line of cookies. Its acquisition of another company, a maker of cake mixes, is most likely an example of

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

Correct Answer: B

Horizontal diversification is the acquisition of businesses making products unrelated to current offerings but that might appeal to the firm's current customers. Cookies and cake mixes are based on different technologies but may be demanded by the same customers.

QUESTION 2

Which of the following statements is true with regard to a vertically integrated acquisition?

- A. A grocery store chain that purchases a dairy and begins to make milk-based products under its own brand is forward integrated.
- B. A movie producer that acquires a chain of theaters is backward integrated.
- C. A clothing manufacturer that acquires a chain of clothing stores is forward integrated.
- D. A soda maker that purchases its leading competitor is backward integrated.

Correct Answer: C

Vertical integration occurs upstream (backward) by acquiring suppliers or downstream (forward) by acquiring wholesalers and retailers. An example of forward integration is a clothing manufacturer's acquisition of a chain of clothing stores in which to sell its products.

QUESTION 3

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 4

The organizational chart:

- A. Is used only in centralized organizations.
- B. Is applicable only to profit-oriented companies.
- C. Depicts only line functions.
- D. Depicts the lines of authority linking various positions.

Correct Answer: D

An organizational chart is used to represent the organizational structure of an entity. It normally resembles a pyramid, with the chief executive on top and the operating work force on the bottom. Lines show reporting relationships, lines of authority, and task groupings. An organizational chart depicts promotional or career tracks and illustrates the span of control and the number of organizational levels.

QUESTION 5

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.

Correct Answer: D

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.

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