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QUESTION 1

In a declining industry with a favorable structure, a firm may have the ability to recover additional investment or to earn above-average returns in the remaining pockets of demand. Such a firm is most likely to follow a:

- A. Quick divestment strategy.
- B. Harvest strategy or quick divestment strategy.
- C. Leadership strategy or harvest strategy.
- D. Leadership strategy or niche strategy.

Correct Answer: D

A leadership strategy is pursued by a firm that believes it can achieve market share gains to become the dominant firm. An assumption is that additional investment can be recovered. A second assumption is that success will put the firm in a better position to hold its ground or subsequently to follow a harvest strategy. A niche strategy seeks a market segment (pocket of demand) with stable or slowly decreasing demand with the potential for above-average returns. Some of the moves undertaken when following a leadership strategy may be appropriate. The firm may eventually change to a harvest or divest strategy.

QUESTION 2

For an industry to be genuinely global, it must be involved in which of the following significant activities?

- I. Licensing
 - II. Export
 - III.
Direct Investment
- A.
 - I. and II.
 - B.
 - II. or III.
 - C.
 - I. and III.
 - D.
 - III. only.

Correct Answer: B

A genuinely global industry requires a firm to compete globally. Participation in foreign markets is usually by licensing;

export; or, after the firm has obtained experience, direct investment. A genuinely global industry will have significant export activity or direct investment. Nevertheless, direct investment does not necessarily signal the existence of global competition. Direct investment also may occur when purely national factors determine a subsidiary's competitive position.

QUESTION 3

Which of the following is an effective active listening technique?

I. Summarizing.

II. Clarifying.

III. Evaluating.

IV.

Empathizing

A.

I and IV only.

B.

II and III only.

C.

I, II, and IV only.

D.

I, II, III, and IV.

Correct Answer: C

Summarizing brings the discussion into focus and clarifies priorities. Clarifying content or process helps others explore the problem and make their ideas more concrete. Empathizing shows that the listener understands how the other person feels and encourages him/her to express feelings. However, evaluating may curtail the presentation of views and lead another person to believe that the listener's mind is already made up.

QUESTION 4

The belief that successful leadership occurs when the leader's style matches the situation is the basis for:

A. The contingency approach to leadership.

B. The managerial-grid model of leadership.

C. A behavioral approach to leadership.

D. An achievement-oriented approach to leadership theories.

Correct Answer: A

According to Fred E. Fiedler's contingency theory, people become leaders not only because of personality attributes, but also because of various situational factors and the interaction between the leaders and the situation. Thus, the right person at the right time may rise to a position of leadership if his/her personality and the needs of the situation complement each other. The same person might not become a leader in different circumstances because of failure to interact successfully with that situation. The contingency theory model has three dimensions. (1) Position power is a function of the formal authority structure. It is the degree to which the position held enables a leader to evaluate, reward, sanction, or promote the group members independent of other sources of power, such as personality or expertise. (2) Task structure is how clearly and carefully members' responsibilities for various tasks are defined. Quality of performance is more easily controlled when tasks are clearly defined. (3) Leader-member relations reflect the extent to which group members like, trust, and are willing to follow a leader.

QUESTION 5

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.

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