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QUESTION 1

The retail petroleum industry consists of a few large firms that sell a standardized product. Which of the following best describes this industry?

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

Correct Answer: B

An oligopoly consists of a few large firms. If products are standardized, competition may be based solely on price. If products are partially differentiated, each firm may attempt to lead the industry regarding a given attribute, e.g., price, quality, service, or features. The retail petroleum industry is dominated by a small number of firms that control a vast majority of the market. Furthermore, it is an example of an industry that sells a standardized product, with competition based primarily on price.

QUESTION 2

What condition is most likely necessary to the success of a strategy of preemptive expansion?

- A. Competitors believe that the move is preemptive.
- B. The result is intense industry conflict.
- C. The firm does not know the expectations of competitors about the market.
- D. The learning-curve effect is small.

Correct Answer: A

Competitors must believe that the move is preemptive. Hence, the firm should know competitors' expectations about the market or be able to influence them favorably. Moreover, the preempting firm must have credibility, such as resources, technology, and a history of credibility, to support its statements and moves.

QUESTION 3

Which strategy for a global marketing organization is based on a portfolio of national markets?

- A. reaction of a division to manage international marketing.
- B. A multinational strategy.
- C. A global strategy.
- D. Creation of an export department

Correct Answer: B

International marketing efforts take three basic forms: creation of an export department, creation of a division to manage international marketing, or global organization. The latter encompasses genuinely worldwide functions, e.g., manufacturing, marketing, finance, and logistics. Thus, worldwide operations are the organization's focus, not merely that of a department or division of a national firm. A global organization may follow a multinational, global, or glocal strategy. A multinational strategy adopts a portfolio approach. Its emphasis is on national markets because the need for global integration is not strong. The product is customized for each market and therefore incurs higher production costs. Decision making is primarily local with a minimum of central control. This strategy is most effective given large differences between countries. Also, exchange rate risk is reduced when conducting business in this manner.

QUESTION 4

What is a primary disadvantage of forcing another party to accept terms in a negotiation?

- A. Damage of the relationship between the negotiators.
- B. Lack of achievement of the negotiator's goals.
- C. Increased time involved in reaching an agreement.
- D. Reduction in internal support for the negotiator's tactics.

Correct Answer: A

In future negotiations, the "forced" opponent will be less likely to work with the negotiator to achieve mutual goals. Negotiations in which one or both parties feel they must "win" at the expense of the other party ultimately do not build a relationship of trust and cooperation.

QUESTION 5

Which of the following is a benefit of decentralization?

- A. The head of the company is aware of and can influence all decisions before they are made.
- B. The company is operated as one unit.
- C. Specialists for a particular product have no authority but advise the company's top management.
- D. Decisions are made on a more timely basis.

Correct Answer: D

Decentralization is the extent to which decision-making power is delegated within an entity. When approval from upper-level management is not required, lower-level managers can make more timely decisions because they are closer to the necessary sources of information.

QUESTION 6

Which basic force(s) drive(s) industry competition and the ultimate profit potential of the industry?

- I. Threat of new entrants
- II. Bargaining power of suppliers
- III. Favorable access to raw materials and labor
- IV.
Product differentiation
- A.
I only.
- B.
I and II only.
- C.
III and IV.
- D.
I, II, III, and IV.

Correct Answer: B

Threat of new entrants and bargaining power of suppliers are among the five basic forces that drive industry competition and the ultimate profit potential in the industry. This potential is measured in terms of long-term return on invested capital. The other three forces are rivalry among existing firms, threat of substitutes, and threat of buyers\' bargaining power.

QUESTION 7

Which of the following motivational theories are most alike in that both theories assume employees want to work and can do so unsupervised?

- A. Theory X and Theory Y.
- B. Theory X and Theory Z.
- C. Theory Y and Theory Z.
- D. Theory Y and Herzberg\'s two-factor theory.

Correct Answer: C

Ouchi\'s Theory Z is based on the Japanese practice of providing long-term employment to workers. Decisions are made on a team basis, and trust is an important aspect of the theory, including the issue of trusting employees to complete their work satisfactorily and unsupervised. Theory Y assumes that employees like to work and will do so unsupervised.

QUESTION 8

A firm enters a new business by creating a full-fledged new entity (an internal entrant). The internal entrant is least likely to cause disruption and retaliation in a:

- A. Slow-growth industry.
- B. Fragmented industry.
- C. Commodity-producing industry.
- D. Highly-concentrated industry.

Correct Answer: B

In a fragmented industry, many firms might be affected but not significantly. These firms also might have no ability to retaliate. Firms in a fragmented industry have insignificant market shares and little influence on industry outcomes.

QUESTION 9

Which of the following is a favorable condition for a firm competing in a profitable, expanding industry?

- A. The firm does not have a strong customer base.
- B. A few suppliers who can restrict supply.
- C. Competitors find it difficult to acquire the firm's customers.
- D. The firm has high costs relative to other firms in the industry.

Correct Answer: C

A firm that has successfully differentiated its products through developing a desirable image, better services, cost leadership, the features of the product, or other means is in a favorable competitive position. Competitors find it difficult to acquire the firm's customers, for example, by price cutting. The reason is that the firm's products are perceived to have few substitutes, and brand loyalty is high. Furthermore, barriers to entry are favorable to the firm. These barriers deter competitors from entering the market. Existing firms can increase market share and emphasize cutting costs and increasing value.

QUESTION 10

An employee's self-actualization need would be met by:

- A. Attractive pension provisions.
- B. Challenging new job assignments.
- C. Good working conditions.
- D. Regular positive feedback.

Correct Answer: B

Self-actualization is the highest human need. It is the desire to become what one is capable of becoming, to realize one's potential and accomplish to the limit of one's ability. In other words, the job itself is an intrinsic motivation; no extrinsic motivation such as rewards or reinforcements) is needed. Intrinsic motivation provides the worker with psychological income. Thus, challenging new job assignments meet an employee's self actualization needs.

QUESTION 11

While auditing a marketing department, the internal auditor discovered that the product life cycle model was used to structure the marketing mix. Under such a philosophy, the price charged on a consistent basis for a specific product would probably be lowest during which life cycle stage?

- A. Introduction stage.
- B. Growth stage.
- C. Maturity stage.
- D. Decline stage.

Correct Answer: C

During the maturity stage, competition is at its greatest and costs are at their lowest. Moreover, firms are engaged in competitive price-cutting measures, resulting in some of the lowest prices seen during a product's life cycle.

QUESTION 12

A firm that wishes to obtain the benefits of vertical integration may acquire a minority common stock interest in a supplier or customer firm. This arrangement is most appropriately described as:

- A. Partial integration.
- B. Tapered integration
- C. Quasi-integration.
- D. Contract integration

Correct Answer: C

Quasi-integration is something more than a long-term contract and less than full ownership. It may be achieved by a minority common stock interest, debt guarantees, cooperation in RandD, an exclusive dealing arrangement, etc. Buyer and seller may, as a result, have aspecial community of interest leading to lower costs, smoothing of supply/demand fluctuations, or mitigating against bargaining power. Quasi-integration may avoid commitment to an adjacent business, with its investment and management requirements. But many benefits of full integration may not be achievable in this wav.

QUESTION 13

Tolerating silence, asking open-ended questions, and paraphrasing are three aids to more effective:

- A. Meetings.

- B. Listening.
- C. Interviews.
- D. Feedback.

Correct Answer: B

Listening entails decoding and understanding the first message sent. The sender then becomes a listener with respect to the feedback. Hence, listening is necessary at both ends of the communication channel. Other aids to effective listening are using body language to encourage the speaker, showing appropriate emotion to signify sympathy, understanding and correcting for one's biases, avoiding making premature judgments, and briefly summarizing what has been said.

QUESTION 14

A firm is most likely to leave a declining industry because

- A. The remaining pockets of demand include price-insensitive buyers.
- B. It is the only part of a vertically integrated business that is affected.
- C. Buyers have high switching costs.
- D. Mobility barriers are high.

Correct Answer: B

Vertical integration of a business may require exit of the entire chain when the reasons for decline affect all its parts. However, when only one part of the vertically integrated business is in a declining industry, integration is an argument for exit of the affected part. Divestiture prevents the weak link from harming the entire chain.

QUESTION 15

Which of the following are steps in a customer value analysis (CVA)?

- I. Determining what customers value
- II.

Having customers rank the relative significance of the elements of customer value III. Evaluating how well the firm and its competitors perform relative to the elements of customer value IV. Focusing on performance with respect to each element of customer value

- A.
- I, III, and IV only.
- B.
- I, II, and III only.
- C.

I, II, and III only.

D.

I, II, III, and IV.

Correct Answer: D

The steps in a CVA are to:

Determine what customers value.

Assign quantitative amounts to the elements of customer value and have customers rank their relative significance.

Evaluate how well the firm and its competitors perform relative to each element.

Focus on performance with respect to each element, vis-a-vis an important competitor in a given market segment.

Repeat the foregoing steps as circumstances change.

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