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**Exam Code:**IIA-CIA-PART4

**Exam Name:**Certified Internal Auditor - Part 4,  
Business Management Skills

**Version:**Demo

### QUESTION 1

Dutch researcher Geert Hofstede has examined the cultural dimensions of organizational behavior in 40 countries. The United States ranked the highest in which dimension?

- A. Power distance.
- B. Uncertainty avoidance.
- C. Individualism.
- D. Masculinity.

Correct Answer: C

The individualism-collectivism dimension addresses whether the organization or individual must meet his/her own security needs.

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### QUESTION 2

A flat organization structure is one with relatively few levels of hierarchy and is characterized by wide spans of management control. A tall organization has many levels of hierarchy and narrow spans of control. Which of the following situations is consistent with a flat organization structure?

- A. Tasks require little direction and control of subordinates.
- B. Work areas are geographically dispersed.
- C. Tasks are highly complex and varied.
- D. Subordinates perform distinctly different tasks.

Correct Answer: A

Flat structures have the advantages of fast information flow from the top to the bottom of the organization and increased employee satisfaction. Tall structures are faster and more effective at problem resolution because of the increased frequency of interaction between superior and subordinate and the greater order imposed by the hierarchy. For a flat structure to be successful, employees must be able to work without supervision much of the time because a manager with many employees has little time for each one.

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### QUESTION 3

In an internal audit department, group decision making would be most appropriate for determining whether to:

- A. Report a significant audit finding that is critical of management.
- B. Expand an audit program because of uncertainty and risk regarding the operations of the audited entity.
- C. Expand audit procedures when initial sample results indicate a strong possibility of fraud.
- D. Review a critical audit finding with the client before preparation of the engagement final communication.

Correct Answer: B

Whether to expand an audit program because of uncertainty and risk regarding the operations of the audited entity is a matter of professional judgment. In discretionary matters of this kind, the advantages of group decision making become evident. The group has a greater base of knowledge than an individual and provides multiple perspectives. Furthermore, the extended discussions among group members clarify the issues and aid in understanding the reasons for different actions. Also, the participants are likely to accept, or take ownership of, the final decision. In addition, the process provides training for the group's less experienced members.

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#### QUESTION 4

Which of the following is an example of upward communication?

- A. Management's notices on bulletin boards.
- B. Grievance actions.
- C. Informational inserts in pay envelopes.
- D. Personnel policy manuals.

Correct Answer: B

Grievance actions are a formal means of bringing employee dissatisfaction to the attention of management, i.e., from the bottom upward.

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#### QUESTION 5

Which of the following is a cultural aspect that typically makes international and intercultural communication more difficult?

- I. Long distances between sender and receiver.
  - II. Body language.
  - III. Language.
  - IV. Attitude.
- A.  
I and III only.
- B.  
II and V only.
- C.  
I, IV, and V only.

D.

II, III, IV, and V only.

Correct Answer: D

Facial, gestural, and postural body language, and other forms of nonverbal communication, may have different meanings in different cultures. Furthermore, because of the differences in language even within the same country, special care must be taken not to make mistakes or offend others in a foreign land. It is nearly impossible for someone with only a few semesters of a foreign language to understand the subtleties of nonnative communication. Attitudes, such as stereotyping, also may cause misunderstandings. In addition, time is a barrier to intercultural communication. The perception of time as it relates to business and social life varies with the culture. Polychronic time is based on a perception that time is nonlinear, flexible, and multidimensional. This perception is typical of Mediterranean, Latin American, and Arabic cultures. Monochronic time is based on a perception that time is the same for everyone and is measurable in standard units. This perception is common in Northern Europe and the U.S. These western cultures believe in punctuality and that time is money and should not be wasted. However, communication difficulties due to the long distances separating senders and receivers have been minimized by electronic communication, such as email, fax, and teleconferencing.

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#### QUESTION 6

The negotiator, when encountering unexpected resistance from another party, should first:

- A. Attempt to determine the reason behind the resistance.
- B. Stop the meeting and address the other party's concerns privately.
- C. Restate the negotiator's position regarding the issue.
- D. Research the other party to determine the party's views and requirements.

Correct Answer: A

The first step in overcoming unexpected resistance is to attempt to determine the reason behind the resistance. Without knowing the reason, the negotiator is unable to counter it effectively. For example, knowing whether the other party is concerned about a major issue or a detail will affect the negotiator's response.

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#### QUESTION 7

There has been an increased emphasis on group decision making in organizations. Which of the following statements has been found to hold true in studies of individual decision making as compared to group decision making? Individual decision making tends to:

- A. Be more conservative.
- B. Evaluate more complete information.
- C. Generate more alternatives.
- D. Increase the perceived legitimacy of the decision.

Correct Answer: A

Group decision making is often characterized by greater acceptance of risk because of the dispersal of accountability. Individual decision making tends to be more conservative because accountability can be specifically assigned.

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#### **QUESTION 8**

Which of the following is a regional free-trade zone currently limited to South American nations?

- A. APEC
- B. Mercosul.
- C. The Triad Market.
- D. NAFTA.

Correct Answer: B

Mercosul is a free-trade agreement among South American nations. They include Argentina, Brazil, Uruguay, and Paraguay. Chile and Bolivia are associate members.

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#### **QUESTION 9**

Identify the management technique in which employees assist in setting goals, making decisions, solving problems, and designing and implementing organizational changes.

- A. Total quality control.
- B. Job enlargement.
- C. Kanban.
- D. Participative management.

Correct Answer: D

According to Marshall Soshkin ["Participative Management is an Ethical Imperative," *Organizational Dynamics* 12 (Spring 1984):4-22] employees may participate in goal setting, decision making, problem solving, and designing and implementing change. Subject to various individual (values and attitudes), organizational (e.g. job design and company culture), and environmental (such as technological change and competition) contingencies, workers who participate in the aforementioned ways should experience greater autonomy and find their tasks more meaningful. In turn, this experience should lead to satisfaction, challenge, security, and acceptance and commitment. Ultimate results are innovation and improved performance and productivity.

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#### **QUESTION 10**

Which of the following scenarios illustrates an organization that has become out of balance by focusing too much on efficiency rather than effectiveness?

- A. The job is not completed and resources are wasted.
- B. The job is completed but resources are wasted.

- C. The job is not completed but resources are not wasted.
- D. The job is completed and resources are not wasted.

Correct Answer: C

In the narrowest sense, effectiveness is achievement of objectives. It is contrasted with efficiency, which is the ratio of output to input. In the broadest sense, an organization must achieve its objectives efficiently to be considered effective. When the job is not completed but resources are not wasted, the organization is out of balance by focusing too much on efficiency.

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#### QUESTION 11

A manager resolves a conflict between two employees by recommending that concessions to be made by both employees. The two employees agree to the concessions and the conflict is resolved. Both employees gain and lose. Which of the following describes the way the manager addressed the conflict?

- A. Forcing.
- B. Smoothing.
- C. Compromise.
- D. Problem solving.

Correct Answer: C

Compromise entails negotiation by the parties in conflict. The conflict is resolved through a process by which each side makes concessions. Thus, the parties both gain and lose. Because both employees made concessions, the conflict was resolved through compromise.

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#### QUESTION 12

If the price elasticity of demand for a normal good is estimated to be 2.5, a 5% reduction in its price causes:

- A. Total revenue to fall by 5%.
- B. Total revenue to fall by 12.5%.
- C. Quantity demanded to rise by 12.5%.
- D. Quantity demanded to decrease by 5%.

Correct Answer: C

Price elasticity is the percentage change in quantity demanded divided by the percentage change in price. An elasticity of 2.5 means that the change in demand will increase by 250% of any change in price measured in absolute terms (the minus sign is ignored). Hence, a 5% price reduction increases demand by 12.5% (2.5 5%).