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QUESTION 1

Which one of the following is not an example of formal internal communication?

- A. Input for the yearly budget provided by the Purchasing Department to the director of budgeting.
- B. Environmental impact statements.
- C. Expense account reports.
- D. Safety bulletins.

Correct Answer: B

A formal communication is conducted through the formal structure of the organization. Informal communication operates outside of officially established channels. An internal communication is one that is both generated and received within the organization. An environmental impact statement is generated within the organization, but the recipient (a governmental body) is outside the organization.

QUESTION 2

Industry structure and competition during the decline phase may result in intense and destructive competition. Which factor is most likely to contribute to this condition?

- A. Firms do not expect demand to rebound.
- B. The decline is rapid.
- C. Attractive substitutes are not available.
- D. Specialized assets used in the industry have low liquidation values.

Correct Answer: D

High exit barriers may restrain firms from leaving the industry even though their returns are poor. For example, specialized assets and inventory in a declining industry may have a low liquidation value. Few purchasers who wish to operate in the same industry may be available. Durable assets may have a carrying amount far greater than the liquidation value. Hence, liquidation may result in a loss that the firm may not wish to recognize. Furthermore, a low liquidation value means that the future discounted cash flows from remaining in the industry may exceed the opportunity cost of the capital invested in the declining industry. Thus, the returns from the proceeds of liquidation may be less than the returns from keeping those assets in the business.

QUESTION 3

Which of the following statements is true regarding the "management-by-objectives" method?

- A. Management by objectives is most helpful in organizations that have rapid changes.
- B. Management by objectives is most helpful in mechanistic organizations with rigidly defined tasks.
- C. Management by objectives helps organizations to keep employees motivated.



D. Management by objectives helps organizations to distinguish clearly strategic goals from operational goals.

Correct Answer: D

Reference: <https://www.investopedia.com/terms/m/management-by-objectives.asp>

QUESTION 4

According to IIA guidance, which of the following statements is true regarding analytical procedures?

- A. Data relationships are assumed to exist and to continue where no known conflicting conditions exist.
- B. Analytical procedures are intended primarily to ensure the accuracy of the information being examined.
- C. Data relationships cannot include comparisons between operational and statistical data.
- D. Analytical procedures can be used to identify unexpected differences, but cannot be used to identify the absence of differences.

Correct Answer: B

QUESTION 5

The structure of an organization generally follows its overall strategy. At one end are loosely structured, organic organizations. At the other end are highly centralized, tightly controlled, mechanistic organizations. Consider the overall strategy of a company that is a pioneer in the combination of laser and robotic technologies. The company's scientists and engineers hold many patents. They are continually looking for ways to improve their products as well as to introduce new ones. Identify the most appropriate structural option for this organization.

- A. Mechanistic.
- B. Imitative.
- C. Organic.
- D. Bureaucratic.

Correct Answer: C

Organizational structure depends on the company's overall strategy. This organization has adopted an innovation strategy. It introduces major new products or services. The structure that provides the flexibility required for major innovation is organic, a form of organization characterized by a loose structure, low division of labor, low formalization, and decentralization.

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