



# IIA-CIA-PART4<sup>Q&As</sup>

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### QUESTION 1

The General Electric (GE) portfolio model for competitive analysis of strategic business units (SBUs) should be compared with the Boston Consulting Group's growth-share matrix. The GE model:

- A. Is a matrix with two variables: relative market share and market growth rate.
- B. Calculates an index for each of its two variables.
- C. Considers such factors for business strength as market size, growth rate, and price levels.
- D. Considers such factors for market attractiveness as market share, growth rate, and marketing skills.

Correct Answer: B

The GE model is a multifactor portfolio matrix with two variables. Business strength or competitive position (BUS) is on one axis, and market attractiveness (MAT) is on the other. BUS is classified as strong, medium, or weak, and MAT is classified as high, medium, or low. Thus, the matrix in this model is 3 x 3 and has nine cells. SBUs are shown in the matrix as circles. Circle size is directly proportional to the size of the related market, with a shaded portion in the circle that represents the SBU's market share. To measure BUS and MAT, the firm must isolate the multiple factors affecting each, quantify them, and create an index. Factors will vary with each business. The measurements will provide the values on the axes of the matrix.

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### QUESTION 2

Job design involves not only the intentional planning of the characteristics of a job but also of the work environment. The purpose is to increase workers' intrinsic job motivation so as to improve performance. It is an approach that explicitly considers workers' ego and social needs. The aspect of job design that should have the greatest motivational effect is:

- A. Job enlargement.
- B. Job rotation.
- C. Job enrichment.
- D. Job simplification.

Correct Answer: C

Job enrichment is an attempt to apply the findings of Herzberg two-factor theory of behavior), Maslow hierarchy of human needs), Likert participation), and McGregor Theories X and Y) by structuring the job so that each worker participates in the planning and controlling so as to maximize the satisfaction of both social and ego needs and avoid the disadvantages of routine, highly specialized work. Job enrichment includes allowing and encouraging more worker discretion in deciding work methods, work sequence, and work pace. It encourages interactions between workers, gives workers a feeling of personal responsibility for their tasks, makes sure workers understand how their tasks contribute to the finished product, provides feedback on job performance, and involves workers in changes in the physical aspects of the work environment.

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### QUESTION 3

A corporation produces uniforms that it sells and rents to businesses. The corporation recently acquired a textile mill



that produces synthetic cloth. This acquisition is an example of:

- A. Horizontal integration Forward integration
- B. Horizontal integration Backward integration
- C. Vertical integration Forward integration
- D. Vertical integration Backward integration

Correct Answer: D

The degree of backward and forward vertical integration along the value chain varies with the industry. The corporation acquired one of its suppliers, which is on a different level of the value chain. Thus, the combination involved vertical integration. Moreover, the acquisition of a supplier is characteristic of backward integration.

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#### QUESTION 4

A runner-up firm in a market may choose a market-challenger strategy. Which general attack strategy adopted by a market challenger is directed at a gap in customer need fulfillment?

- A. Guerilla warfare.
- B. Bypass attack.
- C. Frontal attack.
- D. Flank attack.

Correct Answer: D

A flank attack may be directed at a geographic or segmental weakness of the target (an underserved market) or an unmet need (such as the desire for more healthful fast food). A flank attack succeeds when market segments shift. The result is a gap in need fulfillment that the attacker can convert into a strong position in a profitable segment.

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#### QUESTION 5

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

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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.

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