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QUESTION 1

A company's decisions are made solely by one person, who is the CEO and major shareholder. Which of the following powers is this person least likely to relate to the other individuals to whom the person has delegated some authority?

- A. Coercive power.
- B. Legitimate power.
- C. Referent power.
- D. Reward power.

Correct Answer: C

A person who is the head of a company may exert influence through five types of power. Referent power is the capacity for the individual's personality and style to cause others to identify with or like him or her. Thus, it is the one type of power not necessarily held by a CEO and major shareholder. This person has the ability to reward others and apply pressure. (S)he also has the right to expect cooperation.

QUESTION 2

What operations strategy is most likely to be adopted when the product sold by an organization is a commodity and the market is very large?

- A. Flexibility strategy.
- B. Quality strategy.
- C. Service strategy.
- D. Cost strategy.

Correct Answer: D

An operations strategy formulates a long-term plan for using enterprise resources to reach strategic objectives. A cost strategy is successful when the enterprise is the low-cost producer. However, the product (e.g., a commodity) tends to be undifferentiated in these cases, the market is often very large, and the competition tends to be intense because of the possibility of high-volume sales.

QUESTION 3

What is the key strategic issue when a firm is considering capacity expansion?

- A. Forecasting long-term demand.
- B. Analyzing the behavior of competitors.
- C. Identifying options.
- D. Avoiding industry overcapacity.



Correct Answer: D

Whether to expand capacity is a major strategic decision because of the capital required, the difficulty of forming accurate expectations, and the long time frame of the lead times and the commitment. The key forecasting problems are longterm demand and behavior of competitors. The key strategic issue is avoidance of industry overcapacity. Under capacity in a profitable industry tends to be a short-term issue. Profits ordinarily lure additional investors. Overcapacity tends to be a long-term problem because firms are more likely to compete intensely rather than reverse their expansion.

QUESTION 4

The optimal span of control of a manager is contingent upon several situational variables. For instance, a manager supervising workers within the same work area who are performing identical tasks that are simple and repetitive would best be able to supervise:

- A. An unlimited number of employees.
- B. Only a few workers a narrow span of control).
- C. A relatively large number of employees a wide span of control).
- D. Fewer workers than if the workers were geographically dispersed.

Correct Answer: C

In any situation, there are underlying variables that influence the number of subordinates a manager can supervise. In general, if jobs are similar, procedures are standardized, and physical dispersion is minimized, a wide span of control is most effective.

QUESTION 5

Which of the following is considered a disadvantage of electronic communication?

- I. Information overload.
 - II. Misrepresentation of feelings and emotions.
 - III. Reduced transmission time.
 - IV. Lack of paper trail.
- A.
I and II only.
B.
II and IV only.
C.



I, II, and III only.

D.

I, II, III, and IV.

Correct Answer: A

Information overload and misrepresentation of feelings and emotions are drawbacks of electronic communication. Information overload, such as numerous email messages, may lead to lost time and inefficiencies. Also, email cannot accurately convey the feeling and tone intended by the person initiating the communication. Accordingly, it may be misinterpreted by the receiver.

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