

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

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**QUESTION 1**

In which of the following situations would a narrower span of control be more appropriate?

- A. Managers do not spend a great deal of time on planning or strategic management.
- B. Managers must spend a great deal of time coordinating with other managers.
- C. Subordinates work in the same area rather than being geographically dispersed.
- D. Work performed by subordinates is substantially identical.

Correct Answer: B

If substantial coordination is required, a manager benefits from reduced supervision requirements. In addition, increased coordination implies that the work done by subordinates is not standardized. As spans of control move from wider to narrower, the work done becomes less similar and more complex.

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**QUESTION 2**

Paul Hersey and Ken Blanchard developed a situational leadership model with two dimensions: task and relationship behaviors. In this model, the delegating leadership style is appropriate when followers have:

- A. Low maturity.
- B. Low to moderate maturity.
- C. Moderate to high maturity.
- D. High maturity.

Correct Answer: D

The dimensions of the delegating leadership style are low task and low relationship. Consequently, task- and relationship-related behaviors are low. The leader provides little direction or support because the maturity of followers is high. They are willing and able to do what is necessary.

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**QUESTION 3**

Which of the following is a disadvantage of a flat organizational structure?

- A. Employees are not encouraged to be creative.
- B. The input of fresh ideas from outside the company is limited because employee turnover is low.
- C. Managers spend too much time training individuals and not enough time supervising.
- D. Employees may not be performing work tasks properly.

Correct Answer: D

A flat organizational structure concentrates decision-making authority at one level. Tasks and performance objectives may be unclear to employees because of a lack of supervision.

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**QUESTION 4**

According to Michael E. Porter's generic strategies model, a firm that successfully adopts a cost focus strategy is most likely to:

- A. Have weak customer loyalty.
- B. Have a strong RandD function.
- C. Know its market well.
- D. Enjoy economies of scale.

Correct Answer: C

Cost focus is the generic strategy favored by firms that seek competitive advantage through lower costs and that have a narrow competitive scope (e.g., a regional market or a specialized product line). The rationale for a cost focus strategy is that the narrower market can be better served because the firm knows it well.

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**QUESTION 5**

Which of the following is least likely to be an example of synergy?

- A. A shopping mall with several businesses providing different products and performing different services.
- B. A car dealership providing warranties on automobile parts to maximize customer value.
- C. A manufacturing company hiring a new manager with technological experience lacking in the company.
- D. Military Humvees being converted into sports utility vehicles for sale to civilians.

Correct Answer: B

Synergy occurs when the combination of formerly separate elements has a greater effect than the sum of their individual effects. However, a car dealership's provision of warranties reflects an operational strategy designed to provide post-purchase services to gain a competitive advantage and maximize customer value. It does not reflect the complementary sharing of resources, technology, or competencies. In contrast, synergy arises from selling a line of cars that share some components or a brand identification.

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**QUESTION 6**

Which of the following motivation theories is based on Japanese management practices?

- A. Theory X.
- B. Theory Y.
- C. Theory Z.

D. 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. This creates job loyalty with a goal of achieving a long-range orientation among workers.

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**QUESTION 7**

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.

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**QUESTION 8**

For the past several years, many organizations have attempted to reduce administrative costs and respond more rapidly to customer and competitive demands. One method is to eliminate layers of middle management. The element of organizational structure affected by such reductions is:

- A. Spatial differentiation.
- B. Formalization.
- C. Vertical differentiation.
- D. Formalization of jobs.

Correct Answer: C

Vertical differentiation concerns the depth of the organizational hierarchy. The greater the number of levels, the more complex the organization, the greater the potential for information distortion, the more difficult the coordination of management activities, and the slower and less effective the response to changing conditions.

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**QUESTION 9**

With the globalization of economies, many organizations have expanded their operations to international locations. As an advisor to management, an internal auditor will most likely recommend that a geocentric, or worldwide, attitude be adopted. Select the reason the geocentric attitude is preferred.

- A. It promotes a simpler organizational structure.
- B. It provides greater autonomy for host country managers.
- C. It provides the best balance of local and worldwide objectives.
- D. It promotes tighter organizational control.

Correct Answer: C

According to Howard Perlmutter, the geocentric attitude toward international operations is world oriented. The intention is to balance local and worldwide objectives in all aspects of operations, to maintain global standards while permitting local managers to exercise appropriate discretion.

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#### QUESTION 10

A construction manager is using a distributive-bargaining approach in negotiating the price of lumber with a supplier. The construction manager will:

- A. Concede to the supplier's asking price in order to maintain a positive working relationship.
- B. Hire a mediator to negotiate the deal on behalf of the manager.
- C. Attempt to get agreement on a price within the settlement range (that is, within both the manager's and supplier's aspiration ranges).
- D. State the resistance point (that is, the highest price acceptable) and ask the supplier to concede.

Correct Answer: C

When using a distributive-bargaining approach, the negotiator operates with a maximum desired result (target point) and a minimum acceptable result (resistance point) in mind. If the ranges of feasible outcomes (aspiration ranges) overlap, an agreement is possible.

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#### QUESTION 11

Two managers have been arguing about the distribution of money for capital investment projects affecting their respective production units. All of the projects are worthwhile and significantly exceed the organization's required rate of return. The approach that would create a win-win solution for the managers under these circumstances would be to:

- A. Smooth the differences of the two managers by emphasizing their common interests.
- B. Alter the attitudes and behaviors of the managers so that agreement can be reached.
- C. Force the managers to compromise by asking each of them to give up something.
- D. Expand the resources available so that both manager's projects can be funded.

Correct Answer: D

Expanding the pool of scarce resources, in this case, the money available for capital projects, permits both managers to achieve his/her objectives without having to give up anything of value. Thus, each side wins.

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**QUESTION 12**

A milk producer company acquires its own dairy farms to supply milk. The growth strategy adopted by the company is:

- A. Horizontal integration.
- B. Vertical integration.
- C. Concentric diversification.
- D. Conglomerate diversification.

Correct Answer: B

Vertical integration occurs when a company becomes its own supplier or distributor. It combines within a firm production, distribution, selling, or other separate economic processes needed to deliver a product or service to a customer.

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**QUESTION 13**

A production worker in a plant often speaks for the entire work force when problems arise between labor and management. Although this individual has the same level of authority and expertise as the individual's co-workers, the worker seems to possess a degree of power that others do not have. What type of power does this individual apparently have?

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

Correct Answer: B

Referent power is based on identification of subordinates with a superior. Thus, personal magnetism (charisma) may be a basis for influencing others to comply with a manager's directives.

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**QUESTION 14**

Line and staff positions are most likely to be in conflict because:

- A. Line managers have no authority over staff employees.
- B. Staff managers consider line managers' functional authority threatening to staff managers' own authority.
- C. Line managers believe that staff managers are resistant to line managers' advice.
- D. Staff managers dislike relying on line expertise.

Correct Answer: A

Line managers are directly responsible for achieving the organization's objectives, but staff managers are not directly accountable. However, line managers may have no authority to influence staff behavior when it is inconsistent with the achievement of objectives.

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## QUESTION 15

Which of the following statements is true regarding leadership styles?

- A. The manager dictates all decisions to the employees, so communication is downward and tasks are clearly defined in authoritarian leadership.
- B. Employees in a group are given the authority and responsibility to make individual decisions in democratic leadership.
- C. The leader delegates substantial authority and employees participate in defining and assigning tasks in laissez-faire leadership.
- D. None of the answers are correct.

Correct Answer: A

When a manager uses an authoritarian leadership style, he or she dictates all decisions to the employees, so communication is downward. Moreover, tasks are clearly defined. This is considered the classical approach to leadership. Employees are not allowed to give input.

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