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**QUESTION 1**

Michael E Porter's competitive strategies model includes an analysis of the competitive forces that determine the attractiveness of an industry. These forces include:

- I. The stage of the industry life cycle
- II. Threats of, and barriers to, entry
- III. Threat of substitutes
- IV. The threat of suppliers' bargaining power

- A. I and II only.
- B. I and III only.
- C. II, III, and IV only.
- D. I, II, III, and IV.

Correct Answer:

Michael E. Porter, a leader in the field of strategic management, has developed a comprehensive model of the structure of industries and competition. One feature is his analysis of the five competitive forces that determine long-term

profitability measured by long-term return on investment. This analysis determines the attractiveness of an industry.

The five forces are (1) the degree of rivalry among existing firms; (2) threats of, and barriers to, entry; (3) the threat of substitute products or services; (4) the threat of buyers' bargaining power; and (5) the threat of suppliers' bargaining power.

QUESTION 2

Managerial attitudes toward global operations are viewed by researcher Howard Perl as a key to understanding multinational firms. A polycentric attitude is indicated by

- A. An identification with the nationality of the owner.
- B. Evaluation and control standards that are both local and global.
- C. High information flow in multiple directions.



D. Relatively little decision making by the central administrative authority.

Correct Answer: D

A polycentric attitude assumes that cultural differences require local managers to make most decisions because they are more knowledgeable about local conditions than are central administrators. Thus, development of local managerial talent is crucial. Another result is that foreign operating performance is primarily evaluated based on results. As a consequence, methods, training, and incentives vary significantly among subsidiaries. Furthermore, control is predominantly local, the firm is identified with the nationality of the host nation, and relatively little communication occurs with central administration or among subsidiaries. One disadvantage is that local operations may have inefficiencies because of duplication of activities. Another disadvantage is loss of goal congruence between local entities and the firm as a whole. Advantages are more capable and motivated local managers, better results in local markets, local development of new product ideas, and stronger support by host governments.

QUESTION 3

Which of the following can be a limiting factor associated with group decision making?

- A. Groups generally do not analyze problems in enough depth.
- B. It is very difficult to get individuals to accept decisions made by groups.
- C. Groups have a difficult time identifying the important components of decision making.
- D. Accountability is dispersed when groups make decisions.

Correct Answer: D

The difficulty associated with group-aided decision making is accountability for the decision. If a decision is made by a group, no one person is responsible. The best method is for the group to recommend a decision but for a manager to assume responsibility for making the final decision.

QUESTION 4

The director of internal auditing for a large company has established an excellent reputation because of her strong professional credentials and tactful but firm handling of auditor-auditee relationships. With regard to auditees, she must rely upon what sources of power?

- A. Expert and coercive.
- B. Referent and reward.
- C. Referent and expert.
- D. Legitimate and coercive.

Correct Answer: C

The internal audit director has no formal (legitimate or position) power over auditees. Nor does she have the power to coerce (punish) or reward them. Rather, her ability to exert power (influence others) must derive from her specialized ability and knowledge and the force of her personal qualities.



QUESTION 5

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

- A. The grapevine.
- B. Variance analysis.
- C. The performance evaluation system.
- D. A budget.

Correct Answer: A

Formal communication is conducted through the officially established structure of the organization. Informal communication operates outside officially established structural channels. The grapevine is an example. Although the grapevine is usually accurate, it can also carry gossip and rumor.

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