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QUESTION 1

Firm A mostly does business in markets in the southern part of the country. Firm B mostly does business in markets in the western part of the country. However, Firm A has recently moved to compete with Firm B in the western part of the country by introducing its existing products there. Accordingly, Firm B has entered Firm A's primary markets. What kind of market signal did Firm B send?

- A. A cross-parry.
- B. A bluff.
- C. An introduction of a fighting brand.
- D. A direct response.

Correct Answer: A

The cross-parry is a response to a competitor's move in one area with a move in another. For example, Firm X, which is well entrenched in region A, may move to compete with Firm Y in its stronghold in region B. Firm Y's cross-parry is to enter the market in region A. A cross-parry is an indirect response by the defending firm that potentially avoids destructive conflict in the newly penetrated market. However, it also signals the possibility of retaliation, especially if it occurs in one of the initiating firm's key markets. For example, price cutting as a cross-parry may be very effective against a firm with a large share of the market where the parry is made. This firm has more to lose in a price war in that market. Consequently, maintenance of a presence in a cross market deters the large-share firm from attacking elsewhere.

QUESTION 2

Which of the following terms does not apply to noise in communication?

- A. Encoding.
- B. Sending.
- C. Interpretation.
- D. Decoding.

Correct Answer: C

Interpretation is a subprocess of perception. Noise is a disruption that impedes the communication process.

QUESTION 3

Usually, the cheapest way to gain market share is by targeting what class of competitors?

- A. Close competitors.
- B. Distant competitors.
- C. Weak competitors.

D. Bad competitors.

Correct Answer: C

Using the results of a customer value analysis, a firm may target a given class of competitors in order to gain market share. Although there are various methods, targeting weak competitors is usually the cheapest way to gain market share because weak competitors generally do not offer much resistance.

QUESTION 4

Timing of entry into an emerging industry is a critical choice. Pioneering firms face high risk but low barriers. Which of the following is not a factor that favors early entry?

- A. The bases of competition and market segments will change.
- B. The learning curve advantage will persist.
- C. Customer loyalty will be high.
- D. Cost advantages can be secured.

Correct Answer: A

If the bases of competition and market segments will change significantly, an early entrant may lose the advantage obtained by being an early entrant. Other factors not favoring early entry include the following:(1) costs of opening the market are high and the benefits cannot be retained by the firm, (2) early competition will be expensive and larger and stronger competitors will emerge later, and (3) early products and processes will become obsolete.

QUESTION 5

Which of the following is true with regard to norms?

- A. Norms are similar from culture to culture.
- B. Norms reinforce the group's values and common identity.
- C. Norms cannot be enforced by ridicule or criticism.
- D. Norms are often written in an organization's policy manual.

Correct Answer: B

Norms often provide a common identity for a group. Members feel they are part of a cohesive group with members who also share the same values.