

QUESTIONS & ANSWERS

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C8

Business Acumen for Compensation Professional

QUESTION: 69

What question is answered by the organization's mission statement?

- A. What direction will we take?
- B. How do we work?
- C. Why are we in business?
- D. How will we achieve our objectives?

Answer: C

QUESTION: 70

What challenge is most likely faced by a business with low market share and high growth potential?

- A. Its ability to generate profits is unknown.
- B. It is in the worst market position and has insufficient resources to continue operations.
- C. It is unclear how to best utilize the high cash flow to sustain growth.
- D. Its excess resources are often used to develop other businesses that may not be mission-critical.

Answer: A

QUESTION: 71

Which of the following factors has the greatest impact on how aggressive a stance (high vs. low) an organization will take in terms of where it positions itself against the market with its compensation strategy?

- A. The industry it operates in
- B. The bottom line
- C. The organizational headcount
- D. The risk tolerance of compensation leaders

Answer: B

QUESTION: 72

Regarding key competencies for financial management, HR management and resource management, what sets top performers apart?

- A. The level of formal education in each area
- B. The ability to prioritize which is most critical in any given situation and allocate time and resources accordingly
- C. The ability to tie them together, distill key messages and make impactful decisions
- D. Effective interpersonal and communication skills that can overshadow minor deficiencies in any one area

Answer: C

QUESTION: 73

Quarterly financial reports typically include data for a given quarter compared to what?

- A. The previous quarter
- B. The budget
- C. The same quarter in the previous year, plus the current six-month or nine-month cumulative comparables
- D. The aggregate performance of the same quarter in the previous three years

Answer: C

QUESTION: 74

An organization whose focus is on obtaining capital, marketing products or services, sales growth and cash conservation is most likely to be in what stage of the business lifecycle?

- A. Start-up
- B. Growth
- C. Mature
- D. Decline

Answer: A

QUESTION: 75

Which of the following best describes the most likely perspectives of different groups in the organization that compensation professionals must be aware of?

- A. Investors and Finance want to see money spent wisely. Legal must ensure compliance, and HR and operating departments want to see their needs taken into

account to attract, retain and motivate a high quality workforce.

B. Operating departments and HR understand the company must live within its means and Finance cannot allocate funds to a budget if it is likely that profitability will be adversely affected.

C. Investors want to maximize gains and want to see compensation tightly controlled and Legal needs to ensure that compensation plans do not attract undue scrutiny.

D. Operating departments view compensation as it applies to them, HR must balance available resources to attract, retain and motivate employees and Finance knows the value of a motivated workforce and will provide the budget necessary to achieve it.

Answer: A

QUESTION: 76

Gross margin is which of the following, as percent of revenue?

- A. Revenue minus cost of goods sold
- B. Expenses plus taxes and depreciation
- C. Gross profit minus expenses
- D. Cost of goods sold

Answer: A

QUESTION: 77

Regarding fixed and variable costs, what are Finance's primary concerns?

- A. Fixed costs must be kept to a minimum, but variable costs can fluctuate since they tend to correlate with revenue.
- B. Variable costs often have a heavier focus than fixed costs, which applies to all areas, including compensation.
- C. Fixed costs and variable costs are equally important and both should be kept to a minimum.
- D. Fixed costs are not a concern because they cannot be changed, so the focus is primarily on variable costs.

Answer: B

QUESTION: 78

In what stage of the business lifecycle do companies typically begin standardizing procedures through policy creation?

- A. Start-up
- B. Growth
- C. Mature
- D. Decline

Answer: B

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