

HRCI PHR® - Quiz Questions with Answers

Functional Area 01: Business Management

Functional Area 01: Business Management

1.

A corporation purchases enough stock of another corporation to gain a controlling interest. Which of the following is this an example of?

Acquisition

Merger

Friendly takeover

Neutral takeover

Correct answer: Acquisition

There are several structural changes affecting workforce populations. These changes include re-engineering, corporate restructuring, workforce expansion, workforce reduction, and mergers and acquisitions.

- *Corporate **restructuring** is the process of reorganizing the organization in an effort to streamline processes to reduce costs, increase production, or create efficiencies.*
- ***Workforce reductions**, also known as reductions in force (RIFs), downsizing, or rightsizing, are used to decrease expenses by reducing the size of the workforce.*
- *During a **workforce expansion**, a large number of employees enter an organization within a short period of time.*
- ***Re-engineering** involves looking at the entire organization to simplify or eliminate unnecessary processes with the goal of increasing customer satisfaction through improvements in efficiency.*
- *A **merger** occurs when two or more organizations are combined into a single entity with the goal of leveraging the assets of both into a more successful entity.*
- *An **acquisition** occurs when one organization, generally a corporation, purchases or trades stock to gain controlling interest in another. Although*

acquisitions can be hostile, it is not always the case. A hostile takeover negatively affect employee morale.

2.

The HR manager gathers information on the expected impact of a new training program on employee turnover. He researches external case studies, external customer reviews, internal employee feedback and internal lessons learned from implementing similar programs in the past. Based on his research, the HR Manager provides a prediction that the training will decrease turnover by at least 20% by the end of the year. He then decides to reduce next year's recruiting budget. The HR Manager was engaged in the process known as:

Forecasting

Strategic planning

SMART goals

Process-flow analysis

Correct answer: Forecasting

Forecasting is a planning tool that allows HR to make an educated guess about future business conditions and plan accordingly.

Strategic planning identifies the future direction of a company through the stages of analysis, development, implementation and evaluation. SMART goals are related to performance evaluation and are used to help a business meet its objectives. Process flow analysis assesses or maps business functions.

3.

A whistleblower is an individual who makes an illegal activity complaint to whom?

A federal agency

The DOL specifically

The employer

The board of directors

Correct answer: A federal agency

A whistleblower is an employee who makes a complaint to a federal agency, claiming that illegal activity has occurred. Section 806 of the Sarbanes-Oxley Act (SOX) provides broad protection for employees who initiate reports of what they reasonably believe are company actions in violation of SEC regulations or federal securities laws.

Enforcement of whistleblower protections is delegated to the Occupational Safety and Health Administration (OSHA). OSHA prohibits employers from taking any adverse employment actions as a result of an employee providing, participating, or assisting in an investigations of mail, wire, bank, securities fraud, or violations of SEC regulations or other related federal laws. Adverse employment actions include laying off or terminating, demoting, blacklisting, denying benefits, failing to hire or rehire, intimidating, reassigning, reducing hours or pay, disciplining, or others.

4.

A company that is decreasing its workforce in order to improve its profit margins and be more efficient is engaging in:

Downsizing

Divestitures

Furloughs

Consolidation

Correct answer: Downsizing

A company that is decreasing its workforce in order to improve its profit margins and be more efficient is engaging in downsizing. Consolidation involves combining companies. Furloughs involve temporarily reducing the workforce, and divestitures involve selling property.

5.

Who is responsible for electing members to a corporation's board of directors?

Shareholders

Management and employees

Current or previous board members

C-level management

Correct answer: Shareholders

One of the duties of corporate shareholders is to elect a board of directors. Since the shareholders are, for the most part, not involved in the daily business operations of the business, the board of directors exists to represent their interests to the members of senior management.

Within the board, there are two types of directors: inside and outside. An inside director is a person employed by the organizations, such as a company officer (CEO, CFO). An outside director is someone who isn't employed by the corporation and doesn't have operational responsibilities.

6.

Which of these choices is **not** one of the three types of administrative law that impact employment relationships?

Federal taskings

Agency rules

Agency regulations

Agency orders

Correct answer: Federal taskings

There are the three types of administrative law that impact employment relationships:

- **Agency rules:** Legislation empowers federal agencies to develop enforcement regulations. Rules and regulations are developed by an agency and are published in the Federal Register. The public has the opportunity to comment and once this comment period is complete, the agency publishes final rules.
 - **Agency regulations:** Certain federal agencies have the authority to order compliance with federal laws in administrative law courts. These orders have the effect of law and are often published in the Federal Register.
 - **Executive orders:** EOs are rules or order issued by the President to an executive branch of the government and having the force of law.
-

7.

Of the following answer choices, the **best** way to improve training outcomes is by:

Identifying the need for training and using it as a training benchmark

Using an experienced facilitator

Using a flipped classroom

Having employees complete a training satisfaction survey and post-test at the end of each training session

Correct answer: Identifying the need for training and using it as a training benchmark

The best way to improve training outcomes is by identifying the need for training and using it as a training benchmark. This is because understanding the need for the training helps improve participant motivation, engagement and satisfaction. Designing and evaluating the training against the needed outcomes also ensures that the training produces the best ROI.

A post-test and satisfaction survey might help with improving the design of the training and might improve future training outcomes, but it would not help with the initial training outcomes. An experienced facilitator is not necessary for a training to be effective. Using a flipped classroom can improve participant engagement but does not necessarily improve outcomes.

8.

The four factors used to make decisions on global expansion include all of the following **except**:

The number of languages spoken in the perspective host countries

The stages of development of the business and how much of an international presence they already have

The amount of multi-country coordination required to integrate successfully

The types and extents of political, social, economic and labor influences of the prospective host countries

the complexity of the business's products, services and business structure

Correct answer: The number of languages spoken in the perspective host countries

The four factors used to make decisions on global expansion include:

- 1. The stages of development of the business and how much of an international presence they already have*
 - 2. The amount of multi-country coordination required to integrate successfully*
 - 3. The types and extents of political, social, economic and labor influences of the prospective host countries*
 - 4. The complexity of the business's products, services and business structure.*
-

9.

Rita filed a whistleblower retaliation complaint with OSHA claiming her employer made a prima facie violation. How long must she wait for OSHA to issue a final order before she is allowed to file suit in U.S. district court?

180 days from filing

90 days from filing

1 year from filing

2 years from filing

Correct answer: 180 days from filing

Employers are prevented from taking unfavorable employment actions against employees as a result of the employee filing an allegation against the employer. This is part of a wider set of requirements known as whistleblower protections. Enforcement of whistleblower protections is delegated to the Occupational Safety and Health Administration (OSHA). OSHA prohibits employers from taking any adverse employment actions as a result of an employee providing, participating, or assisting in an investigations of mail, wire, bank, securities fraud, or violations of SEC regulations or other related federal laws. Adverse employment actions include laying off or terminating, demoting, blacklisting, denying benefits, failing to hire or rehire, intimidating, reassigning, reducing hours or pay, disciplining, or others.

If an employee feels their employment status was unlawfully affected due to their filing an allegation, they can file a complaint. This complaint must be filed within 180 days of the retaliatory action and include several pieces of information such as the employee's name, the company name, and prima facie evidence of the violation. OSHA does not issue a final order within 180 days of filing, the employee may file suit in a U.S. district court.

To be considered a prima facie violation, the following four elements must be included:

- The employee was engaged in protected activity.*
- The employer knew or suspected that the employee was engaged in the protected activity.*
- The employee suffered an unfavorable employment action.*

- *Sufficient circumstances existed to imply that a contributing factor to the unfavorable action was the employee's participation in the protected activity.*
-

10.

Whistleblower protections are enforced by what agency or group?

OSHA

Chamber of Commerce

SHRM

SOX Commission

Correct answer: OSHA

Enforcement of whistleblower protections is delegated to the Occupational Safety and Health Administration (OSHA). OSHA prohibits employers from taking any adverse employment actions as a result of an employee providing, participating, or assisting in an investigations of mail, wire, bank, securities fraud, or violations of SEC regulations or other related federal laws. Adverse employment actions include laying off or terminating, demoting, blacklisting, denying benefits, failing to hire or rehire, intimidating, reassigning, reducing hours or pay, disciplining, or others.

11.

What are considered common accounting terms?

Select all that apply. There are 3 correct answers.

Expenses

Budget

Liability

Excess run-off

Sporadic inflation

HR professionals should be aware of basic accounting terms in order to be efficient in their roles. Common accounting terms include:

- *Accrued expenses: Expenses incurred but not yet paid*
 - *Accounts payable: Money owed by the organization*
 - *Accounts receivable: Money owed to the organization*
 - *Assets: Items of value owned by the organization*
 - *Audited financial statements: Statements that have been audited by an independent auditor*
 - *Budget: Projection of revenue and expenses anticipated over a defined period of time*
 - *Cost of goods sold: Cost to produce the organization's product*
 - *Equity: Value of the organization after all liabilities*
 - *Expense: Money spent by the organization*
 - *GAAP: Generally Accepted Accounting Principles*
 - *Liability: Money owed by the organization*
 - *Net profit: Gross profit minus operating expenses*
 - *Profit: Money earned after all expenses are paid*
 - *Retained earnings: Earnings that are maintained by the business versus being issues to owners*
 - *Revenue: Money received for the organization's products*
-

12.

Eduardo is the Director of Global Recruitment for Company X. He has many great ideas to improve the organizations' processes, but he often complains about the amount of bureaucracy and hierarchy that prevents Company X from making meaningful changes timely. He acknowledges that there are many benefits to working for Company X; however, including being able to provide less experienced staff with excellent training resources.

Company X is **most** likely in which stage of the its organization life cycle?

Maturity

Growth

Decline

Startup

Correct answer: Maturity

Company X is in the maturity state of its organization life cycle. Companies are in the maturity stage when they are stable with sufficient resources for training and development. These organizations have policies and procedures in place, but can be too bureaucratic and slow to act or change.

13.

What HR activities or functions play a role in corporate responsibility and accountability efforts?

Select all that apply. There are 3 correct answers.

Employee relations

Corporate values and ethics

Company culture

Sustainability

Financial viability

HR plays an integral role in supporting corporate responsibility and accountability efforts along with other departments within the organization. Examples of HR functions or activities that support the corporate responsibility efforts include:

- *Community relations*
 - *Corporate values*
 - *Code of conduct*
 - *Company culture*
 - *Employee relations*
 - *Ethics*
 - *Stakeholder commitment*
 - *Corporate governance*
 - *Offshoring*
 - *Worker rights*
 - *Social responsibility*
 - *Data security*
 - *Philanthropy*
-

14.

A cause-and-effect diagram, also known as a fishbone diagram, is used to show quality factors that lead to contribute to different outcomes.

True

False

Correct answer: True

A cause-and-effect diagram, also known as a fishbone diagram, is used to show quality factors that lead to contribute to different outcomes. For example, this type of diagram might show the human, environmental and resource considerations that lead to a product defect.

15.

The professional in human resources should have a fundamental knowledge of legislative and regulatory processes. What happens during the federal legislative process if the determination is made that a bill is **not** likely to pass?

No further action is taken

An additional vote is made

The bill is returned to the appropriate committee

A veto is made

Correct answer: No further action is taken

There is a lengthy process to be undergone when attempting to establish new legislation. Early in this process, an assigned committee must review the bill and determine the likelihood that it will be able to pass the full body of the House or Senate. If it is determined that the bill is not likely to pass, no further action is taken on the bill. This situation is colloquially referred to as dying in committee.

16.

Which of the following characteristics are true regarding all strategic relationships?

Select all that apply. There are 4 correct answers.

They involve the business plan

They can determine the success or failure of goals

They are built between key internal and external stakeholders

They can create their own subculture

They are always productive

Strategic relationships are defined as relationships that work together for the advancement of strategic goals or objectives. In Human Resources, these relationships work together to advance the HR function by ensuring strategic HR goals are accomplished.

These relationships are typically identified as internal and external relationships between key stakeholders. This can include shareholders, employees, management, customers, and the community. Strategic relationships should align with the business plan and have the ability to contribute to the success or failure of the organizational goals. As these relationships are developed, organizations often begin to see a unique subculture develop internally and externally. The quality of the relationships influences this subculture.

17.

Where would the professional in human resources look to find charges filed related to adverse employment actions?

Equal Employment Opportunity Commission

U.S. Office of Personnel Management

Office of Federal Contract Compliance

Occupational Safety and Health Administration

Correct answer: Equal Employment Opportunity Commission

The Equal Employment Opportunity Commission (EEOC) is the federal agency that is tasked with enforcing and investigating harassment and discrimination. The EEOC protects applicants, employees, and former employees from discrimination based on protected class which includes race, color, religion, gender, national origin, age, disability, and genetic information. The EEOC compiles a list of all charges that have been filed related to adverse employment actions. This can be used by Human Resources when identifying organizational risk.

The Occupational Safety and Health Administration (OSHA) develops regulations to improve the safety of the American workplace.

The Office of Federal Contract Compliance Programs is part of the Department of Labor and would be contacted to file complaints against federal contractors believed to have violated the Rehabilitation Act.

18.

When developing internal relationships that help Human Resources move toward the goals of the organization, how can Human Resources develop credibility?

Providing solutions to organization workforce problems at all levels

Developing thorough organizational charts

Evaluating culture

Developing performance management reports

Correct answer: Providing solutions to organization workforce problems at all levels

Internal relationships help move HR toward accomplishing organizational goals. These relationships are built over time as the HR team establishes credibility through all levels of the organization. The primary way that HR develops this credibility is by providing solutions to organizational workforce problems at all levels. HR roles are constantly changing but HR professionals should be able to perform strategically, administratively, and operationally.

19.

A company wants to be able to track vendor payments, communicate with customers and run reports on employee performance all in the same system. Which of the following technology solutions meets their needs?

ERP

CRS

ATS

SAS

Correct answer: ERP

An Enterprise Resource Planning (ERP) system is a technology solution that allows data from all departments to be maintained and reported on in one place. Users can also use the ERP to communicate with customers, vendors and employees.

CRS is a tool used exclusively by the Sales and Marketing functions to market to consumers. ATS is used by the Human Resources Function for tracking applicants. SAS is a specific brand of data analytics software.

20.

Which of the following is an example of risk management trending and forecasting?

Unemployment rates by geographic location

Number of employees in each position

Names of all employees and their locations

Hourly wage rates by job

Correct answer: Unemployment rates by geographic location

Examples of risk management trending and forecasting include the following:

- *HR Audits*
- *Litigation statistics*
- *Unemployment rates by geographic location*
- *Safety standards (for example, ergonomics and heat-illness prevention)*
- *Updates to labor laws referencing cultural or technological trends*

The other three answer options are all examples of the types of information that could be collected as part of the due diligence process.

21.

Michael Porter identified five competitive forces that impact a company's ability to compete for profits. According to Porter's philosophy, the greater the _____ the lower the _____.

power of force; profitability

profits; competition

market changes; risk

risk; profitability

Correct answer: power of force; profitability

Michael Porter states that there are only two main options for businesses to be competitive: Differentiation and Cost Leadership.

Porter also identified five competitive forces (Threat of new entrants, bargaining power of vendors, bargaining power of firm's customers, threat of substitute products, intensity of rivalry among competing firms). He proposes that the greater the power of force against a company, the lower the company's profitability.

22.

Which of the following is **not** a basic function or structure of a sole proprietorship?

Limited liability on the business owner's assets

Easily organized and the most basic business structure

Business owner receives all profits earned

All business decisions are finalized by the business owner

Correct answer: Limited liability on the business owner's assets

A sole proprietorship business structure is the most basic and easy to organize. The owner is a single (sole) person who is the final authority for all decisions in the business. Any profits earned by the business belong to the owner, and the owner has unlimited personal liability for all business decisions and activities.

Limited liability exists in both corporations and limited liability companies (LLCs). Under these business structures, liability only extends to the assets which are owned by the organization.

23.

A society in which people build relationships slowly and communicate indirectly is a low-context culture.

False

True

Correct answer: False

A society in which people build relationships slowly and communicate indirectly is a high-context culture. Many countries in Asia, the Middle East and Latin America have high-context cultures.

A low-context culture is one in which communication is direct and relationships are built quickly. Germany, the US, Canada and Finland are a few countries with low-context cultures.

24.

Organizational development is a system for managing _____ in a way that is well planned, applied organization-wide and managed from the _____.

change; top down

HR processes; planning stage

SOPs; growth phase

risk; analysis

Correct answer: change; top down

Organizational development (OD) is a system for managing change in a way that is well planned, applied organization-wide and managed from the top down. OD also increases the health and effectiveness of an organization and uses behavioral science to plan interventions in an organization's processes.

25.

Organizational structures characterized by decentralized decision-making include:

Select all that apply. There are 3 correct answers.

Product-based structure

Geographic structure

Divisional structure

Functional structure

Senior HR professionals must be able to align human resources with the strategic goals and plans of the organization. With that, it is critical for the organizational structure to align with the way the organization operates. Organizational structures allow for a flow of information throughout the organization. What is effective for one organization, might not be effective for another. Common structures that allow for decentralized decision making include:

- 1. Product-based structure: The product-based structure aligns the organizational structure based on a specific product.*
 - 2. Geographic structure: This structure is grouped based on a specific geographic location.*
 - 3. Divisional structure: Similar to geographic structures, divisional structures are based on a specific division. This may include a geographic division, but also a division of the company.*
-

26.

Which of the following is **not** part of the SMART goal model?

Sustainable

Action-Orientated

Measurable

Time-Based

Correct answer: Sustainable

The SMART goal model has been identified as the most common method for developing effective organizational goals. Goal that adhere to the SMART goal criteria include:

- **Specific:** *The goal must have a specific action*
 - **Measurable:** *The goal must be able to be measured to determine if the goal has been met*
 - **Action-Orientated:** *The goal must outline the steps that will be taken to achieve the goal*
 - **Realistic:** *The goal must be attainable. It should be enough to challenge the individual but not impossible*
 - **Time-Based:** *There must be a time frame established*
-

27.

Which of the following would an organization use to develop strengths of the business, for its competitive advantage in the marketplace?

Strategy

Cost report

Goal

Objective

Correct answer: Strategy

A strategy is a high-level plan of action that evaluates the organization, its strengths, weaknesses, and threats with the ultimate goal to evaluate how to advance within the market and/or how to advance the goal of the organization. The strategy is the process by which the organization will achieve the overall goal or mission. This is the framework that will define the decisions of the organization. A good strategy is well defined, identifies what the company does well, and details the process by which the organization will achieve the goal.

28.

If an organization wanted to outsource its entire human resources function, which of the following options could they use?

A BPO

A PPO

An HMO

An HRO

Correct answer: A BPO

When an organization decides to outsource, they are moving an entire function out to be handled by another company. Human resource outsourcers (HROs) may be used for one or more HR functions, such as benefits administration or recruiting. A business process outsourcing (BPO) provider is used by organizations that would like to outsource HR systems or the entire function. This solution can be beneficial by allowing the organization to focus on its basic business operations and potentially reduce costs. A PPO and an HMO are both terms related to insurance.

29.

An individual who was hoping to have an influence on a new law/regulation attended an open forum. Which of the following **best** describes what the individual was doing?

Lobbying

Marketing

Strategic planning

Environmental scanning

Correct answer: Lobbying

This individual was taking part in a process known as lobbying. Anyone looking to influence new laws and regulations may participate in lobbying. Options available to aid in this process include joining legislative affairs committees (LACs) or contacting elected officials for guidance.

Marketing is creating a demand for the purchase of a company's products or services and the distribution of those products and services to customers in the marketplace. It provides product research, sales staff support, and product design and pricing.

Strategic planning is a systematic way of ensuring that qualified employees are available to the organization when needed. It includes forecasting business needs and aligning them with employees' knowledge, skills and abilities (KSAs) and finding ways to engage and retain the workforce.

Environmental scanning is a step in the strategic planning process which provides the framework for collecting internal and external information about the business environment to inform business decisions and help management take advantage of existing opportunities and avoid pitfalls.

30.

Based on the PEST analysis and Porter's 5 Forces, which of the following is the strategic benefit of social force?

Increased efficiencies, risk management, and cultural perception of the brand

The ability to define the skill sets of future labor to establish or maintain a skilled workforce

Risk management, consumer and employee confidence

International positive brand recognition

Correct answer: Increased efficiencies, risk management, and cultural perception of the brand

The strategic benefits of each of the five forces are:

- **Political/Legal:** Global positive brand recognition
 - **Economic:** The ability to define the skill sets of future labor to create or sustain a qualified workforce
 - **Social:** Increased efficiencies, risk management, cultural perception of the brand
 - **Technology:** Risk management, consumer and employee confidence
 - **Competition:** Profit, market share, customer loyalty, trust
-

31.

According to thought leader, Henry Mintzberg, _____ should manage and _____ should lead.

leaders; managers

managers; directors

managers; leaders

directors; executives

Correct answer: leaders; managers

According to thought leader, Henry Mintzberg, leaders should manage and managers should lead.

32.

Which of the following are **true** about a vision statement?

Select all that apply. There are 3 correct answers.

It communicates the direction of the organization

It defines the organization's purposes

It describes what the organization desires to become

It communicates short term organizational objectives

As part of the strategic planning process, organizations often develop a vision statement. A vision statement can be short or long but should describe the organization's purpose, what the organization is striving for, and what it wants to achieve. It should be inspirational. A vision statement communicates the organization's value and the commitment to achieving its goal. It is not intended to outline short-term goals or objectives.

33.

Sales is considered the short-term version of what long-term activity?

Marketing

Production

Development

Inventory Management

Correct answer: Marketing

Sales and marketing are two different activities, however, they are closely related. Both functions are responsible for moving a company's products or services to a consumer.

The sales function focuses on the short-term activities related to a product or service. Sales is responsible for proactively seeking out consumers whereas marketing focuses on the longer term activities related to the product. This includes product branding, product research, pricing, placement, advertisement, etc.

34.

Who is required to register with the Public Company Accounting Oversight Board (PCAOB)?

All public accounting firms

All public companies

All corporations with in-house accounting

All organizations with in-house accounting

Correct answer: All public accounting firms

The Sarbanes-Oxley Act (SOX) was enacted by Congress in 2002 and is enforced by the Occupational Safety and Health Administration (OSHA). This was enacted in response to the scandals caused when corporate executives at Enron and WorldCom failed to meet their fiduciary responsibilities. Changes brought by the enactment of SOX include:

- Established the Public Company Accounting Oversight Board (PCAOB) and required all public accounting firms to register with the board, which conducts periodic inspections to ensure their compliance with audit standards.*
 - Established new standards to ensure the independence of auditors relative to the businesses they audit, including restrictions on non-audit-related services such as bookkeeping, management, human resource consulting, or other similar services; rotation of audit partner assignments at least every five years; and a requirement that the audit report and recommendations to the management team be delivered directly to the audit committee of the BOD.*
 - Established standards for corporate responsibility, holding the chief executive of a public company accountable for the fairness and accuracy of financial reports filed with the Securities and Exchange Commission (SEC).*
 - Required CEOs and CFOs to reimburse the company for incentive- or equity-based compensation in the event of a material restatement of financial reports to the SEC caused by misconduct.*
 - Prohibited insider trading of stock during pension fund blackout periods when employees aren't able to trade the stock in their pension accounts.*
 - Established ethical requirements for senior financial officers. Took steps to ensure the fairness, accuracy, and independence of stock analysis.*
-

35.

HRIS is considered which of the following?

A technological tool

A legislative committee

An employee benefit

A recruitment tool

Correct answer: A technological tool

HRIS is an acronym for Human Resource Information Systems. HRIS is a technological tool that is used by HR staff to efficiently perform their job duties. An HRIS is able to assist with a variety of tasks and can reach across functional areas to include report generation, workforce analysis, and data collection and analysis. An HRIS primarily serves two purposes: first, a system to maintain key employee information, and second, as analyze data to support decision makers in making the best decision possible.

36.

Using Porter's five forces, which force provides the strategic benefit of increased efficiencies, risk management, and a cultural perception of the brand?

Social

Economic

Political

Competition

Correct answer: Social

Michael E. Porter identified five forces which are found in all industries. The strategic benefits of each of these five forces are:

- **Political/Legal:** *Global positive brand recognition*
 - **Economic:** *The ability to define the skill sets of future labor to create or sustain a qualified workforce*
 - **Social:** *Increased efficiencies, risk management, cultural perception of the brand*
 - **Technology:** *Risk management, consumer and employee confidence*
 - **Competition:** *Profit, market share, customer loyalty, trust*
-

37.

Which of the following corporation failures did **not** lead to the enactment of SOX?

Duke Power

Enron

Tyco

WorldCom

Correct answer: Duke Power

The Sarbanes-Oxley Act (SOX) was enacted by Congress in 2002 as a result of Enron, Tyco and WorldCom scandals. The Act works to ensure the accuracy and fairness of financial reporting for public companies and outlines specific requirements for key executives and board members. The Public Company Accounting Oversight Board (PCAOB) was developed as a result of SOX, and requires all public accounting firms to register with the board. The board conducts periodic inspections to ensure compliance with audit standards.

38.

Internal forces are described as:

Drivers of change within the organization

Events an organization cannot change

Targets that require an extra effort

Methods of forecasting change

Correct answer: Drivers of change within the organization

In order for organizational change to be effective, there must be an individual with a high level of influence pushing the change from the inside. If a change initiative is initiated from the top, without support and buy-in from key members of the workforce, it is likely the initiative will fail.

39.

Who can lobby for or against new laws?

Anyone

Attorneys and legislative officials only

LACs only

Elected and legislative officials only

Correct answer: Anyone

Anyone can participate in the process of lobbying if they wish to speak on or promote new or existing laws and regulations to a governing body. The Society for Human Resources Management, along with many other organizations, have legislative committees that monitor legislative affairs in an effort to persuade elected officials or regulators to act in a way that supports the organization's best interests.

40.

What are the five forces Michael Porter identifies as common in all industries that are competing for profits?

Select all that apply. There are 5 correct answers.

Threat of new entrants

Bargaining power of vendors and suppliers

Bargaining power of the organization's customers

Threat of substitute products

Intensity of rivalry among competing firms

Threat of power distance

Indulgence versus restraint

Developed by a Harvard Business School professor, Michael Porter, Porter's five forces concluded that the greater the power of force, the lower the profitability. Porter argues there are five forces found in all industries that should be evaluated as part of the strategic planning process. These forces include:

- 1. Threat of new entrants/ new business*
 - 2. Vendors and suppliers have the ability to set pricing and businesses have to accept it*
 - 3. Customers have the ability to determine who they will purchase goods or services from*
 - 4. Competition from like organizations or products*
 - 5. Price competition, product promotions, and development of new products*
-

41.

OSHA has the authority to issue a preliminary order of reinstatement under the Whistleblower Protection Act. If OSHA requires economic reinstatement, what does this mean?

It may require the company to pay the employee full benefits even though the employee does not return to work

It may require the company to fully back-pay until the date of the last vacation

It may require additional penalties determined by the Whistleblower Protection Act

It may require a written reply from the responsible company

Correct answer: It may require the company to pay the employee full benefits even though the employee does not return to work

Enforcement of whistleblower protections is delegated to the Occupational Safety and Health Administration (OSHA). OSHA prohibits employers from taking any adverse employment actions as a result of an employee providing, participating, or assisting in an investigations of mail, wire, bank, securities fraud, or violations of SEC regulations or other related federal laws. Adverse employment actions include laying off or terminating, demoting, blacklisting, denying benefits, failing to hire or rehire, intimidating, reassigning, reducing hours or pay, disciplining, or others.

OSHA has the authority to issue a preliminary order of reinstatement prior to conducting a hearing on the claim if it reasonably believes a violation occurred. If the employee has become a security risk and preliminary reinstatement isn't appropriate, OSHA may require economic reinstatement which may require the company to pay the employee at full pay and benefits even though the employee doesn't return to work.

42.

Who is credited with "blowing the whistle" on the Enron corporation?

Sherron Watkins

Dr. Jeffrey Wigand

Jacquelyn Davis

Carlos Velazquez-Garcia

Correct answer: Sherron Watkins

The Sarbanes-Oxley Act (SOX) was enacted by Congress in 2002 in response to the Enron, Tyco, and WorldCom scandals and works to ensure the accuracy and fairness of financial reporting for public companies. Two of the primary changes made by SOX were the establishment of the PCAOB and whistleblower protections. After Sherron Watkins "blew the whistle" on Enron for their accounting practices, there was a surge in SEC complaints from whistle-blowers.

A whistleblower is an employee who makes a complaint to a federal agency, claiming that illegal activity has occurred. Section 806 of the Sarbanes-Oxley Act (SOX) provides broad protection for employees who initiate reports of what they reasonably believe are company actions in violation of SEC regulations or federal securities laws.

43.

What are the key items human resources professionals should review when performing the due-diligence process prior to a merger or acquisition?

Select all that apply. There are 4 correct answers.

Compensation documents

Policies and procedures

Legal exposure

EEO compliance

Financial records

Employee performance records

HR professionals typically play pivotal roles in a merger or acquisition's core due diligence activity. During due diligence, information about talent and culture, along with typical assessments of employee benefits plans and liabilities, compensation programs, employment contracts and policies, legal exposure, and more, can provide insights into the value of a property and its workforce and can decrease the likelihood of challenges once the deal is complete.

A thorough review of the following information generally takes place during the due diligence phase of the transactions. The items reviewed include:

- *HR documents - This includes names and locations of employees, offer letters/employment contracts, I-9 forms, and visa documents, benefit plans*
- *Compensation documents - This includes hourly wages rates by the job, salary schedules, number of employees in each position*
- *Policies and procedures - This includes the policy manual, employee handbook, supervisor/manager handbook*
- *Equal opportunity compliance - This includes EEO-1 reports, affirmative action plans, government notices of compliance activity*
- *Legal compliance - This includes COBRA notices, active FMLA leave, WARN compliance, and OSHA compliance*

- *Labor relations - This includes collective bargaining agreement, ongoing negotiations, union activity, and grievance history*
 - *Legal exposure - This includes pending or resolved sexual-harassment claims, termination disputes, violations of state/federal law, active workers compensation claims*
-

44.

Which of the following terms refers to the creation of the product or products that businesses create and/or the service they offer to customers?

Production

Production Capacity

Quality assurance

Inventory Management

Correct answer: Production

Through production, businesses produce products and services to offer to customers. Historically, this referred to manufactured goods; however, as service and information businesses have grown, the term also encompasses services.

Capacity is an activity which determines how much of a product or service is able to be produced with available materials, labor and equipment.

Inventory Management is the balancing of the cost of maintaining a large inventory and the need to satisfy customer orders.

Quality assurance (QA) ensures that the product or service meets acceptable standards.

45.

SWOT analysis looks at strengths, weaknesses, opportunities, and what fourth factor an organization may be facing?

Threats

Timelines

Transformations

Trusts

Correct answer: Threats

During the environmental scanning process, there are a variety of tools at an organization's disposal, including SWOT Analysis. SWOT is an acronym for the four areas that are analyzed during the process: the organization's strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors; opportunities and threats are considered to be external.

46.

All of the following fall within the scope of HR's roles in corporate responsibility except:

Sales tax

Community relations

Employee relations

Code of conduct

Correct answer: Sales tax

Although a corporation is a legal entity that must calculate sales taxes on goods or services sold, those taxes do not fall within the scope of HR's roles in corporate responsibility.

The following are HR behaviors that support corporate responsibility and accountability efforts:

- *Corporate values*
 - *Code of conduct*
 - *Company culture*
 - *Employee relations*
 - *Ethics*
 - *Stakeholder commitment*
 - *Corporate governance*
 - *Offshoring*
 - *Worker rights*
 - *Social responsibility*
 - *Data security*
 - *Philanthropy*
 - *Community relations*
-

47.

The decline phase of an organization's life cycle is characterized by:

Select all that apply. There are 3 correct answers.

Possible workforce reductions

Rebranding efforts

Inefficiency and bureaucracy

Occasional confusion, frustration, and conflicts

Reactive and spontaneous decisions

Organizations are like people. They move through four different stages of development: startup, growth, maturity, and decline. Just like people, organizations rarely do this in a neat, orderly, and predictable fashion. Below are the four stages:

- 1. The startup phase is the phase of the organization where it is just beginning. This phase is characterized by an exciting vision and purpose; exciting, charismatic leaders; a hands-on (working) Board; minimal training; employees wearing multiple hats; decisions are often reactive and spontaneous; resources (money, facilities, etc.) are continually sought, sometimes in crisis situations; occasional confusion, frustration, and conflicts can exist about who, "doing what, how and when; people begin to talk about the need for more planning and procedures; there, "strong resistance to change.*
- 2. The growth phase is the phase of the organization that reflects steady growth where the founder can no longer manage the organization independently. This phase is focused on strengthening internal systems to support growth while expanding services. Leaders focus on managing change as much as on generating new ideas; the Board evolves to more of a policy-Board; different departments and teams are appropriately coordinated for efficiencies; planning is regular and systematic, and focused on goals, roles, and deadlines; progress is regularly monitored for status, learning and continuous improvement; regular and routine activities are proceduralized, and performance management practices are focused on personnel and the organization.*
- 3. The maturity phase is the phase of the organization that focuses on sustaining momentum while avoiding bureaucracy. It is characterized by a focus on creativity and innovation; management priorities are on succession planning and risk management; increased learning opportunity; leaders seek to*

successfully duplicate their business model; longer-range planning is a focus (3-5 years); priority continues to be on managing change and transformation.

- 4. The decline phase is the phase of the organization when the organization is characterized by inefficiency and bureaucracy. In this stage, leaders seek to streamline and create ideas to rebrand in order to survive. This may include the development of new products, workforce reductions, or other cost-cutting methods. Failure to be successful will result in acquisition or closing.*
-

48.

Human capital projections take into consideration which of the following?

Select all that apply. There are 3 correct answers.

Skills of the workforce needed to achieve the strategic goals

Current skills of the workforce

Gaps in skills needed as compared to the current skills

Strategic relationships needed to achieve goals

The organization's vision statement

Human capital projecting is a budget process that reviews the human capital management plan (HCMP) and seeks to assess the value of the organization's human resources.

With this process, the goal is to identify the human resources and skills needed to carry out the strategic goals identified through the HCMP, evaluate the existing human resources and skills, create a plan to address any gaps, as well as evaluate the cost and ROI of the identified plan.

While it is important to consider the vision of the organization, as well as the relationships needed to achieve organizational goals, this process is completed during strategic planning. As mentioned above, human capital projections are conducting as part of the budgeting process which is completed following strategic planning.

49.

Which of the following is **not** information that would be collected for the documents aspect of the M&A due diligence process?

Collective bargaining agreements

Offer letters

Employment contracts

Benefit plans

Correct answer: Collective bargaining agreements

Performing due diligence is a risk management duty performed by HR professionals. Information collected during due diligence can be organized under six categories: documents, compensation, policies and procedures, equal opportunity compliance, legal compliance, labor compliance, and legal exposure.

Collective bargaining agreements is the correct answer because, although it is information that would be collected during the due diligence process, it would fall under the labor relations category.

The types of information reviewed during this process include the following:

- **Documents:** Names of all employees and their locations; Offer letters; Employment contracts; I-9 forms and visa documentation; Benefit plans
- **Compensation:** Hourly wage rates by job; Salary schedules; Number of employees in each position
- **Policies and procedures:** Policy manual; Employee handbook; Supervisor/manager handbook
- **Equal opportunity compliance:** EEO-1 reports; Affirmative Action Plans (if required); Government notices of compliance activity
- **Legal compliance:** COBRA notices and participants; Active FMLA leaves; WARN compliance; OSHA compliance
- **Labor relations:** Collective bargaining agreements; Ongoing negotiations; Union activity; Grievance history and outstanding grievances
- **Legal exposure:** Pending or resolved sexual harassment claims; Termination disputes; Violations of state or federal laws; Active workers' compensation claims

50.

What major historical period, beginning in the late eighteenth century, prompted notable growth and increased complexity for organizations?

The Industrial Revolution

The end of the slave trade

The passing of the Embargo Act

The passing of the the Homestead Act

Correct answer: The Industrial Revolution

In the late eighteenth century, the United States saw the Industrial Revolution. During this time, organizations grew larger and more complex to meet the increasingly complex goals set for them. The production of goods moved from a single-worker process to a multiple-worker, multiple-step process.

51.

Which of the following business structures is the most basic and easy to organize?

Sole proprietorship

Partnership

Corporation

Limited liability company

Correct answer: Sole proprietorship

All businesses in the United States are organized into one of the following four basic structures: sole proprietorships, partnerships, corporations, and limited liability companies.

- **Sole proprietorships** are the most basic and easy structure to organize. The owner is a single (sole) person who is the final authority for all decisions in the business. Any profits earned by the business belong to the owner, and the owner has unlimited personal liability for all business decisions and activities.
- A **partnership** is owned by two or more people who share final authority for all business decisions and are jointly liable for the actions of the business. Partners are liable not only for their own actions but for actions taken by their partner(s) as well. The profits of the business are split according to the ownership shares established at the beginning of the partnership (most often equal shares, but ownership can be any arrangement agreed on by the partners).
- **Corporations** are entities defined by four characteristics: Liability is limited to assets owned by the corporation. The life of the corporation can extend beyond the life of its original owner/founder. There is a central management structure. Ownership may be transferred freely by selling stock.
- A **limited liability company (LLC)** is a cross between a general partnership and a corporation and provides its owners with the liability protection of a corporation with fewer operating restrictions.

In addition to these four basic structures, there are several variations of partnerships:

- In a **general partnership (GP)**, the partners share responsibility for managing the business based on the partnership agreement.
- In a **limited partnership (LP)** or a **limited liability partnership (LLP)**, most of the partners are involved only as investors and have little input into daily operations of the business. These forms are commonly used for medical clinics, accounting practices, law firms, and other service businesses.

- A **joint venture (JV)** is similar to a GP but is formed to manage a specific project or for a limited time frame.
-

52.

During the creation of an organization's product or service, which functions are known as "the activities necessary to produce the goods or services"?

Operations

Scheduling

Capacity

Production Layout

Correct answer: Operations

Operations is the core function of any business. It is the function that is comprised of all the activities necessary to produce the goods or services of the business. These can include such activities as capacity, production layout, scheduling, quality management, inventory management, technology, facility locations, and cost control.

53.

By what piece of legislation were criminal penalties established for management officials who destroy documents?

Sarbanes-Oxley Act

PCAOB

FLSA

OSH Act

Correct answer: Sarbanes-Oxley Act

The Sarbanes-Oxley Act (SOX) was enacted by Congress in 2002 and is enforced by the Occupational Safety and Health Administration (OSHA). This was enacted in response to the scandals caused when corporate executives at Enron and WorldCom failed to meet their fiduciary responsibilities. Changes brought by the enactment of SOX include:

- Established the Public Company Accounting Oversight Board (PCAOB) and required all public accounting firms to register with the board, which conducts periodic inspections to ensure their compliance with audit standards.*
 - Established new standards to ensure the independence of auditors relative to the businesses they audit, including restrictions on non-audit-related services such as bookkeeping, management, human resource consulting, or other similar services; rotation of audit partner assignments at least every five years; and a requirement that the audit report and recommendations to the management team be delivered directly to the audit committee of the BOD.*
 - Established standards for corporate responsibility, holding the chief executive of a public company accountable for the fairness and accuracy of financial reports filed with the Securities and Exchange Commission (SEC).*
 - Required CEOs and CFOs to reimburse the company for incentive- or equity-based compensation in the event of a material restatement of financial reports to the SEC caused by misconduct.*
 - Prohibited insider trading of stock during pension fund blackout periods when employees aren't able to trade the stock in their pension accounts.*
 - Established ethical requirements for senior financial officers. Took steps to ensure the fairness, accuracy, and independence of stock analysis.*
-

54.

Which of the following answer choices shows the correct order of the activities involved in selecting a vendor:

Needs assessment, request for proposal (RFP) development, proposal (RFP) evaluation, vendor selection, contract negotiation, contract execution, project evaluation.

Proposal (RFP) evaluation, needs assessment, request for proposal (RFP) development, vendor selection, contract negotiation, contract execution, project evaluation.

Project evaluation, proposal (RFP) evaluation, needs assessment, request for proposal (RFP) development, vendor selection, contract negotiation, contract execution.

Vendor selection, contract negotiation, contract execution, project evaluation, proposal (RFP) evaluation, needs assessment, request for proposal (RFP) development.

Correct answer: Needs assessment, request for proposal (RFP) development, proposal (RFP) evaluation, vendor selection, contract negotiation, contract execution, project evaluation.

The correct order of vendor selection activities is:

- 1. Needs assessment*
 - 2. Request for proposal (RFP) development*
 - 3. Proposal (RFP) evaluation*
 - 4. Vendor selection*
 - 5. Contract negotiation*
 - 6. Contract execution*
 - 7. Project evaluation*
-

55.

The startup phase of an organization's life cycle is characterized by which of the following?

Select all that apply. There are 3 correct answers.

Exciting vision and purpose

Minimal training and established processes

Employees wearing multiple hats

Regular and routine activities are proceduralized

Succession planning

Longer-range planning is a focus

Organizations are like people. They move through four different stages of development: startup, growth, maturity, and decline. Just like people, organizations rarely do this in a neat, orderly, and predictable fashion. Below are the four stages:

- 1. The **startup** phase is the phase of the organization in which it is just beginning. This phase is characterized by an exciting vision and purpose; exciting, charismatic leaders; a hands-on (working) Board; minimal training; employees wearing multiple hats; decisions are often reactive and spontaneous; resources (money, facilities, etc.) are continually sought, sometimes in crisis situations; occasional confusion, frustration, and conflicts can exist about who is doing what, how, and when; people begin to talk about the need for more planning and procedures.*
- 2. The **growth** phase is the phase of the organization that reflects steady growth in which the founder can no longer manage the organization independently. This phase is focused on strengthening internal systems to support growth while expanding services. Leaders focus on managing change as much as on generating new ideas; the Board evolves into more of a policy Board; different departments and teams are appropriately coordinated for efficiencies; planning is regular and systematic and focused on goals, roles, and deadlines; progress is regularly monitored for status, learning and continuous improvement; regular*

and routine activities are proceduralized, and performance management practices are focused on personnel and the organization.

- 3. The **maturity** phase is the phase of the organization that focuses on sustaining momentum while avoiding bureaucracy. It is characterized by a focus on creativity and innovation; management priorities are on succession planning and risk management; increased learning opportunity; leaders seek to successfully duplicate their business model; longer-range planning is a focus (3-5 years); priority continues to be on managing change and transformation.*
 - 4. The **decline** phase is the phase of the organization in which the organization is characterized by inefficiency and bureaucracy. In this stage, leaders seek to streamline and create ideas to rebrand in order to survive. This may include the development of new products, workforce reductions, or other cost-cutting methods. Failure to be successful will result in acquisition or closing.*
-

56.

The Securities Exchange Act of 1934 gave the SEC statutory authority for establishing reporting standards for what type of companies?

Publicly held

Privately owned

Corporations

Financial institutions

Correct answer: Publicly held

Enacted in 1934, the Securities Exchange Act established standards that all publicly held companies must follow, specifically related to finance and accounting. This act developed the Securities and Exchange Commission (SEC) as the authority over the development and enforcement of the Act. In 1939, a committee was developed to establish accounting standards which is commonly known as the generally accepted accounting principles (GAAP) used by accounting professionals. In 1972, the Financial Accounting Standards Board (FASB), was created and developed the standards that are officially recognized by the SEC.

57.

Which of the following is the strategic benefit of the economic force?

The ability to define the skill sets of future labor to establish or maintain a skilled workforce

International positive brand recognition

Profit, market share, customer loyalty, and trust

Risk management, consumer and employee confidence

Correct answer: The ability to define the skill sets of future labor to establish or maintain a skilled workforce

The strategic benefits of each of the five forces are:

- **Political/Legal:** Global positive brand recognition
 - **Economic:** The ability to define the skill sets of future labor to create or sustain a qualified workforce
 - **Social:** Increased efficiencies, risk management, cultural perception of the brand
 - **Technology:** Risk management, consumer and employee confidence
 - **Competition:** Profit, market share, customer loyalty, trust
-

58.

A professional in human resources is performing due diligence prior to a merger or an acquisition. Which of these types of information is **not** included in the due diligence process?

Cost per unit

Locations of employees

Offer letters

Names of employees

Correct answer: Cost per unit

Performing due diligence is a risk management duty performed by HR professionals. Information collected during due diligence can be organized under seven categories: documents, compensation, policies and procedures, equal opportunity compliance, legal compliance, labor compliance, and legal exposure.

The types of information to be reviewed during the diligence process include:

- **Documents:** Names of all employees and their locations; Offer letters; Employment contracts; I-9 forms and visa documentation; Benefit plans
 - **Compensation:** Hourly wage rates by job; Salary schedules; Number of employees in each position
 - **Policies and procedures:** Policy manual; Employee handbook; Supervisor/manager handbook
 - **Equal opportunity compliance:** EEO-1 reports; Affirmative Action Plans (if required); Government notices of compliance activity
 - **Legal compliance:** COBRA notices and participants; Active FMLA leaves; WARN compliance; OSHA compliance
 - **Labor relations:** Collective bargaining agreements; Ongoing negotiations; Union activity; Grievance history and outstanding grievances
 - **Legal exposure:** Pending or resolved sexual harassment claims; Termination disputes; Violations of state or federal laws; Active workers' compensation claims
-

59.

Which of these business structures would involve partners who are only investors and have little input into the daily operations of the business?

Limited Liability Partnership

Partnership

Multi-Proprietorship

Corporation

Correct answer: Limited Liability Partnership

All businesses in the United States are organized into one of the following four basic structures: Sole Proprietorships, Partnerships, Corporations, and Limited Liability Companies.

- **Sole proprietorships** are the most basic and easy structure to organize. The owner is a single (sole) person who is the final authority for all decisions in the business. Any profits earned by the business belong to the owner, and the owner has unlimited personal liability for all business decisions and activities.
- A **partnership** is owned by two or more people who share final authority for all business decisions and are jointly liable for the actions of the business. Partners are liable not only for their own actions but for actions taken by their partner(s) as well. The profits of the business are split according to the ownership shares established at the beginning of the partnership (most often equal shares, but ownership can be any arrangement agreed on by the partners).
- **Corporations** are entities defined by four characteristics: Liability is limited to assets owned by the corporation. The life of the corporation can extend beyond the life of its original owner/founder. There is a central management structure. Ownership may be transferred freely by selling stock.
- A **limited liability company (LLC)** is a cross between a general partnership and a corporation and provides its owners with the liability protection of a corporation with fewer operating restrictions.

In addition to these four basic structures, there are several variations of partnerships:

- In a **general partnership (GP)**, the partners share responsibility for managing the business based on the partnership agreement.
- In a **limited partnership (LP)** or a **limited liability partnership (LLP)**, most of the partners are involved only as investors and have little input into daily operations of the business. These forms are commonly used for medical clinics, accounting practices, law firms, and other service businesses.

- A **joint venture (JV)** is similar to a GP but is formed to manage a specific project or for a limited time frame.
-

60.

Which type of decision making bias is dependent on the context in which a choice or situation is presented?

Framing bias

Confirmation bias

Anchoring bias

Overconfidence bias

Correct answer: Framing bias

A framing bias is a bias that is based on how a situation or choice is framed or presented. By making one option sound more sensible or appealing, the presenter may gain more buy-in from stakeholders. This is the correct answer.

Confirmation bias results when someone seeks to confirm a hunch by focusing on the information that reinforces the belief.

Overconfidence bias has to do with poor decision making based on an overly optimistic outlook.

An anchoring bias happens when someone relies too heavily on one particular piece of information.

61.

Human capital management plans (HCMP) should address which of the following components?

Select all that apply. There are 4 correct answers.

The strategic direction of HR

How success will be measured

Desired goals and objectives

Communication plan

Company revenue targets

Human capital management plans (HCMP) are part of the strategic planning process for human resources. While plans will differ between organizations, typical HCMPs include the following components:

- *The strategic direction of HR*
- *Goals and objectives*
- *Action plans*
- *Communication plans*
- *How success will be measured*

An HCMP provides data that helps determine HR priorities and supports the budget development process.

62.

Strategic planning requires that organizations answer which of the following questions?

Select all that apply. There are 4 correct answers.

How will we know when we arrive?

Where are we now?

Where do we want to be?

How will we get there?

How will we communicate we are there?

What is our history?

The four critical questions for the strategic planning process include:

- 1. Where are we now?*
- 2. Where do we want to be?*
- 3. How will we get there?*
- 4. How will we know when we arrive?*

While it is important for organizations to know where they came from and to communicate their results, it is not critical to the strategic planning process.

63.

In which phase of the organization life cycle would a human resources professional be **more** likely to hire less experienced personnel?

Maturity

Startup

Growth

Decline

Correct answer: Maturity

The organizational life cycle can be categorized by four different stages: startup, growth, maturity, and decline. Each organization experiences these stages.

The startup phase is the phase in which the organization is just beginning to build its foundation and meet financial needs. The next phase, growth, is just as it sounds: a growing stage. During this stage the managerial structure is expanded to accommodate growing management needs. Once an organization reaches maturity, it begins to focus on standardization and planning. The final stage is decline. While a shutdown or closure may be the outcome of the decline stage, that isn't always true.

64.

Which of the following would be the **main** use of an environmental scan?

To provide a process for organizations to evaluate internal and external environments

To determine labor needs

To review policies and procedures

To develop key relationships

Correct answer: To provide a process for organizations to evaluate internal and external environments

An environmental scan is part of the strategic planning process and is used to answer the "Where are we now?" question. The environmental scan is a process that organizations use to evaluate internal and external forces that should be considered during the decision making process.

65.

A prima facie violation includes all of the following **except**:

The employee benefited from a favorable employment action

The employee took part in a protected activity

The employer was aware that the employee was participating in a protected activity

The unfavorable action by the employer was circumstantially linked to the employee's participation in the protected activity in a way that implied that their participation was a contributing factor in the unfavorable action

Correct answer: The employee benefited from a favorable employment action

An employee benefiting from a favorable employment action is not an element included in a prima facie violation. If the employee had suffered an unfavorable employment action, then a prima facie violation may have taken place. There are four elements which must be met for a prima facie violation to be valid:

- 1. The employee was engaged in a protected activity.*
 - 2. The employer suspected or knew that the employee was engaged in the protected activity.*
 - 3. The employee suffered an unfavorable employment action.*
 - 4. The unfavorable action by the employer was circumstantially linked to the employee's participation in the protected activity in a way that implied that their participation was a contributing factor in the unfavorable action.*
-

66.

Which of the following would **not** be an expense found on a budget developed by a company's Head of Human Resources?

Liability insurance

Outsourced services

Training and development

Equipment and supplies

Correct answer: Liability insurance

Liability insurance is not a standard expense under the control of the head of HR functions. It is an expense that is often managed by the accounting or finance function.

Some standard expense items that typically fall under the control of the HR function, include:

- *Salaries*
 - *Payroll taxes*
 - *Benefits*
 - *Equipment and supplies for the HR department*
 - *Repairs and maintenance for the HR department*
 - *Training and development*
 - *Travel for HR department employees*
 - *Professional services*
 - *Outsourced services (HRIS, payroll, staffing agency, etc.)*
-

67.

Samuel has a span of control of eight. What does this mean?

Samuel can supervise up to eight employees

Samuel can oversee eight projects simultaneously

Samuel holds eight percent ownership of the company

Samuel is on the board of directors and controls an eighth of the organization

Correct answer: Samuel can supervise up to eight employees

Span of control is an important factor when creating a management structure. Span of control refers to the number of employees that one manager can supervise directly. In Samuel's case, he can directly supervise eight employees. This number can vary based on the type of tasks the manager is overseeing.

68.

Which employee involvement strategy would a Professional in Human Resources use as an anonymous means by which an employee can make ideas available to management for improvement?

Suggestion box

Virtual work team

Self-directed work team

Committees

Correct answer: Suggestion box

Suggestion boxes are a way for employees to provide feedback to their employers while allowing for the sense of anonymity.

Employee involvement in decision-making processes is a significant factor in effective employee relations. Promoting employee involvement can utilize strategies which are very simple or complex, depending on the organization's needs and culture. Some strategies include suggestion boxes, delegating authority, task forces, committees, work teams, virtual work teams, employee-management committees, and self directed work teams.

69.

Under organizational values and ethics concepts, an employee who has access to or comes in contact with information that isn't available to the general public would be involved with what?

Insider information

Personal use of company assets

Workplace privacy violations

Confidentiality

Correct answer: Insider information

Insider information is typically associated with the stock exchange and trading, but could also apply to other areas of business. Insider information is any information regarding a company that isn't available to the general public.

A code of ethics should clearly state what the employer considers to be an appropriate and acceptable use of company assets. What is considered to be appropriate can vary based on the organization and the asset type.

Advances in technology have made it possible for employers to monitor Internet, email, and voicemail usage, and some employees see this as an invasion of privacy. The code of ethics should include a statement about the use of surveillance and monitoring to reduce the risk for claims of invasion of privacy.

HR professionals work every day with confidential employee information and are sometimes pressured to share this information for one reason or another. Information collected during the employment process, such as an employee's age, religion, medical conditions, or credit history, may not be used to make employment decisions.

70.

Robert Kaplan and David Norton created a balanced scorecard for tracking internal departmental outcomes in order to relate organizational results to one another. Their system tracks information in four key areas. Which of the following is not one of the four?

Industry benchmarks

How people are hired/trained to achieve organizational goals

Customer results

Financial results

Correct answer: Industry benchmarks

Developed by Robert Kaplan and David Norton, the balanced scorecard is a measurement system that allows for tracking outcomes of each department in an effort to tie results together. The balanced scorecard addresses four key areas: financial results, customer results, key internal processes, and how people are hired and trained to achieve organizational goals.

71.

At which level of the organization are the objectives of a strategic plan set?

Functional level

Corporate level

Business-unit level

Consultant level

Correct answer: Functional level

Objectives describe how the strategic plan will be carried out by the organization. They are the strategies that define the steps that will be required to meet the organizational goal.

The corporate and business-unit levels set the goals on which an objective is based. Although a consultant may be used during the strategic planning process, their role is to facilitate and lead the process while the organization remains responsible for objective and goal setting.

72.

Which of the following is **not** information that would be collected as part of the M&A due diligence process for the equal opportunity compliance aspect?

WARN compliance

EEO-1 reports

Affirmative action plans

Government notices of compliance activity

Correct answer: WARN compliance

Performing due diligence is a risk management duty performed by HR professionals. Information collected during due diligence can be organized under six categories: documents, compensation, policies and procedures, equal opportunity compliance, legal compliance, labor compliance, and legal exposure. While Warn Compliance data is reviewed, it is part of the legal compliance aspect, not equal opportunity compliance.

The types of information reviewed during this process include the following:

- **Documents:** Names of all employees and their locations; Offer letters; Employment contracts; I-9 forms and visa documentation; Benefit plans
- **Compensation:** Hourly wage rates by job; Salary schedules; Number of employees in each position
- **Policies and procedures:** Policy manual; Employee handbook; Supervisor/manager handbook
- **Equal opportunity compliance:** EEO-1 reports; Affirmative Action Plans (if required); Government notices of compliance activity
- **Legal compliance:** COBRA notices and participants; Active FMLA leaves; WARN compliance; OSHA compliance
- **Labor relations:** Collective bargaining agreements; Ongoing negotiations; Union activity; Grievance history and outstanding grievances
- **Legal exposure:** Pending or resolved sexual harassment claims; Termination disputes; Violations of state or federal laws; Active workers' compensation claims

73.

What are the two main methods for establishing an annual budget?

Select all that apply. There are 2 correct answers.

Incremental

Zero-based

Bottom-up

Top-down

Manage-out

Budgeting is an annual planning process that aligns organizational goals with the financial resources of the organization. The two primary ways to create a budget include incremental and zero-based budgeting.

In incremental budgeting, the budget is built off of the previous year budget.

In zero-based budgeting, the budget is started from scratch each year.

74.

Which of the following pieces of legislation was passed to outlaw business monopolies?

Sherman Antitrust Act

Norris-La Guardia Act

Wagner Act

Taft-Hartley Act

Correct answer: Sherman Antitrust Act

The Sherman Antitrust Act of 1890 was passed by Congress in order to outlaw business monopolies.

75.

Which style of inventory management system involves purchasing smaller amounts of supplies more frequently in order to reduce the amount of inventory on-hand, while still having enough products to meet distribution needs?

Just-in-Time (JIT)

Ready Resource

Prudent Product

First-In-First-Out

Correct answer: Just-in-Time (JIT)

Just-in-Time (JIT) inventory-management involves purchasing smaller amounts of supplies more frequently in order to reduce the amount of inventory on-hand, while still having enough products to meet distribution needs?

76.

HR needs visibility into the company's financial reports because HR is impacted by the company's ability to fund new HR programs and to attract and retain talent.

True

False

Correct answer: True

Finance is responsible for financial reporting, which impacts all other functions. HR needs visibility into the company's financial reports because HR is impacted by the company's ability to fund new HR programs and to attract and retain talent.

77.

The company's core values, code of conduct, philanthropy, social responsibility, stakeholder commitment, corporate governance and community relations are all parts of the company's:

Corporate responsibility

Employment brand

PR campaign

Legal structure

Correct answer: Corporate responsibility

Corporate responsibility is the part of the strategic planning process in which a business focuses on creating strategic external relationships. These relationships are created with employees and the community, often through social initiatives. While core values, social responsibility, etc. may also be elements of an employment brand or PR campaign, corporate responsibility is the best answer choice.

78.

The following are all external forces that have been identified as affecting organizations **except**:

Social change

Technological change

Economic change

Labor pool

Correct answer: Social change

There are forces outside of an organization's control that impact organizational strategies and HR processes and can result in organizational change. External forces to be aware of include technological development, industry changes, economic environment, labor pool, and legal and regulatory activity. Briefly, these forces are defined as:

- **Technological Developments:** *Technology has the ability to drive organizational growth, or the ability to result in the decline of the organization. In order to be successful, organizations must keep abreast of developments in technology.*
 - **Industry Changes:** *An industry as a whole is often forced to change longstanding procedures and methods as a result of technological developments.*
 - **Economic Environment:** *The status of the economy, or economic environment, has an impact on organizations and individuals. Factors of the economic environment include taxes, government regulations, and availability of cash.*
 - **Labor Pool:** *The availability of skilled labor.*
 - **Legal and Regulatory Activity:** *Activities of federal, state, and local governments that impact the external business environment.*
-

79.

Which of the following is **not** one of the five traditional organizational structures?

Environment

Product-based

Geographical

Matrix

Correct answer: Environment

Environment is not a traditional organizational structure.

An organizational structure defines the general structure of the organization. This structure provides the framework and foundation for the allocation, coordination and supervision of goals and tasks to keep the organization moving forward. The five traditional organizational structures are functional, product-based, geographical, divisional, and matrix.

80.

Which structural change affecting workforce populations involving rapid growth can result in mistrust and loss of productivity when operating styles clash?

Workforce expansion

Workforce reduction

Reengineering

Corporate restructuring

Correct answer: Workforce expansion

There are several structural changes affecting workforce populations. These changes include re-engineering, corporate restructuring, workforce expansion, workforce reduction, and mergers and acquisitions.

- *Corporate **restructuring** is the process of reorganizing the organization in an effort to streamline processes to reduce costs, increase production, or create efficiencies.*
 - ***Workforce reductions**, also known as reductions in force (RIFs), downsizing, or rightsizing, are used to decrease expenses by reducing workforce size.*
 - *During a **workforce expansion**, a large number of employees enter an organization within a short period of time. When this happens, the operational style changes from how the existing workforce was acclimated, and the resulting clash can cause mistrust and loss of productivity.*
 - ***Re-engineering** involves looking at the entire organization to simplify or eliminate unnecessary processes to increase customer satisfaction through efficiency improvements.*
 - *A **merger** occurs when two or more organizations are combined into a single entity with the goal of leveraging the assets of both into a more successful entity.*
 - *An **acquisition** occurs when one organization, generally a corporation, purchases or trades stock to gain controlling interest in another. Although acquisitions can be hostile, it is not always the case. A hostile takeover negatively affects employee morale.*
-

81.

What are considered external factors when performing a SWOT analysis?

Select all that apply. There are 2 correct answers.

Threats

Opportunities

Strengths

Weaknesses

A SWOT analysis evaluates the strengths, weaknesses, opportunities, and threats of the organization.

- *Strengths are used to evaluate what the organization does well, what unique resources the organization has, and what sets the organization apart from its competitors. This may include technology, high performing staff, higher quality product, etc. Strengths are considered an internal factor.*
 - *Weaknesses are used to evaluate the areas the organization could improve, where there are fewer resources, or areas that are less competitive. This could include aging technology, unskilled labor, or lack of available resources. Weaknesses are considered an internal factor.*
 - *Opportunities are used to evaluate the opportunities available to the organization, what trends the organization can take advantage of, and how strengths can be turned into opportunities. This could include changes in the economic climate, increased demand, etc. Opportunities are considered an external factor.*
 - *Threats are used to evaluate circumstances that could impact the organization's success such as competition, economic factors, or threats as a result of the organizational weaknesses. Threats are considered an external factor.*
-

82.

The firm adherence to strong moral values which is demonstrated when an individual does the right thing would be called:

Integrity

Conflict of interest

Ethics

Insider information

Correct answer: Integrity

Integrity is defined as the quality of being honest and having strong moral principles and values. Integrity is demonstrated when an individual does the right thing, even when that "thing" is unpopular.

Insider information is any information that an employee has access to or comes into contact with that isn't available to the general public.

A conflict of interest occurs any time an employee stands to gain personally from an action taken by an employer.

Ethics are considered a standard of conduct and moral judgment defined by the processes that occur and the consequences of those processes.

83.

An ATS is a human resources tool used by what functional unit of human resources?

Recruitment

Employee relations

Legal

Benefits

Correct answer: Recruitment

HRIS is an acronym for Human Resource Information Systems. HRIS is a technological tool that is used by HR staff to efficiently perform their job duties. Tasks it is able to assist with reach across the functional areas and include report generation, workforce analysis, and data collection and analysis. One example of an HRIS is an Applicant Tracking System (ATS). Applicant Tracking Systems utilize technology to better manage the flow of applicants as well as manage the workflow associated with the recruitment process.

84.

Edgar Schein focused on the impact of national and organizational culture when describing his five dimensions of Power distance, uncertainty avoidance, individualism vs collectivism, long-term vs short-term orientation and indulgence versus restraint.

False

True

Correct answer: False

Geert Hofstede focused on the impact of national and organizational culture when describing his five dimensions of Power distance, uncertainty avoidance, individualism vs collectivism, long-term vs short-term orientation and indulgence versus restraint.

Edgar Schein's model of organizational culture includes artifacts, values and assumed values.

85.

Which of the following is **not** one of the three aspects of an organization that HR professionals must consider when developing plans or programs?

External environment

Structures

Functions

Life cycles

Correct answer: External environment

The three aspects of an organization that HR professionals must consider when developing plans or programs are: (1) structures, (2) functions, and (3) life cycles. Organizational structures provide a framework to facilitate the flow of information and to keep the organization moving forward. Business functions are the components required for success and include production, marketing, research & development, and finance. A life cycle refers to the four distinct phases an organization moves through: startup, growth, maturity, and decline.

External environment is not an aspect of an organization. Environmental scans, both internal and external, are the part of the strategic planning process which helps identify opportunities and pitfalls.

86.

Forecasting business needs and aligning them with the skills of your employees is part of:

Strategic planning

Lobbying

Marketing

Environmental scanning

Correct answer: Strategic planning

Strategic planning is a systematic way of ensuring that qualified employees are available to the organization when needed. It includes forecasting business needs and aligning them with employees' knowledge, skills and abilities (KSAs) and finding ways to engage and retain the workforce.

Lobbying is a process undergone by people who are looking to influence new laws and regulations. Lobbying may include joining legislative affairs committees (LACs) or contacting elected officials for guidance.

Marketing is creating a demand for the purchase of a company's products or services and the distribution of those products and services to customers in the marketplace. It provides product research, sales staff support, and product design and pricing. Digital marketing focuses on driving online sales via online ad campaigns that leverage social media, search engine optimization (SEO) and pay per click (PPC).

Environmental scanning is a step in the strategic planning process which provides the framework for collecting internal and external information about the business environment to inform business decisions and help management take advantage of existing opportunities and avoid pitfalls.

87.

Forces outside of the organization within the business environment impact organizational strategy in human resource processes. Which of these forces would **most** directly explain why customers have less cash to spend?

Economic environment

Industry changes

Labor pool

Legal and regulatory development

Correct answer: Economic environment

There are forces outside of an organization's control that impact organizational strategies and HR processes and can result in organizational change. External forces to be aware of include: social and political, technological, industry changes, economic environment, labor pool, and legal and regulatory activity.

88.

An organization's employer brand primarily consists of internal and external marketing materials.

False

True

Correct answer: False

An organization's employer brand is the image that it presents to internal and external stakeholders and customers. It primarily consists of messaging the organization's corporate responsibility and the treatment of its employees. This usually includes internal and external marketing materials; however, the brand is much more than marketing materials.

89.

Julie owns a business that is set up as a sole proprietorship. Who owns the profits of this business?

Julie

The business

Investors

Julie, with limited liability

Correct answer: Julie

The business profits belong to Julie. Under a sole proprietorship, the owner (or proprietor) owns and profits but also has unlimited personal liability.

Here's a summary of the four basic organizational structures:

- **Sole proprietorships** are the most basic and easy structure to organize. The owner is a single (sole) person who is the final authority for all decisions in the business. Any profits earned by the business belong to the owner, and the owner has unlimited personal liability for all business decisions and activities.
 - A **partnership** is owned by two or more people who share final authority for all business decisions and are jointly liable for the actions of the business. Partners are liable not only for their own actions but for actions taken by their partner(s) as well. The profits of the business are split according to the ownership shares established at the beginning of the partnership (most often equal shares, but ownership can be any arrangement agreed on by the partners).
 - **Corporations** are entities defined by four characteristics: Liability is limited to assets owned by the corporation. The life of the corporation can extend beyond the life of its original owner/founder. There is a central management structure. Ownership may be transferred freely by selling stock.
 - A **limited liability company (LLC)** is a cross between a general partnership and a corporation and provides its owners with the liability protection of a corporation with fewer operating restrictions.
-

90.

A professional in human resources is reviewing aspects related to the due diligence process, specifically for equal opportunity compliance. Which one of these types of information is **not** included in equal opportunity compliance?

The number of EEO managers

EEO-1 reports

Affirmative action plans

Government notices of compliance activity

Correct answer: The number of EEO managers

The types of information to be reviewed during the due diligence process include:

- **Documents:** Names of all employees and their locations; Offer letters; Employment contracts; I-9 forms and visa documentation; Benefit plans
 - **Compensation:** Hourly wage rates by job; Salary schedules; Number of employees in each position
 - **Policies and procedures:** Policy manual; Employee handbook; Supervisor/manager handbook
 - **Equal opportunity compliance:** EEO-1 reports; Affirmative Action Plans (if required); Government notices of compliance activity
 - **Legal compliance:** COBRA notices and participants; Active FMLA leaves; WARN compliance; OSHA compliance
 - **Labor relations:** Collective bargaining agreements; Ongoing negotiations; Union activity; Grievance history and outstanding grievances
 - **Legal exposure:** Pending or resolved sexual harassment claims; Termination disputes; Violations of state or federal laws; Active workers' compensation claims
-

91.

The statement "Our employees have a duty to disclose any real or perceived conflict of interest or financial interest when exercising their corporate responsibilities" would be an example of what?

Ethical statement

Honesty statement

Entity statement

Conflict of interest statement

Correct answer: Ethical statement

The statement "Our employees have a duty to disclose any real or perceived conflict of interest or financial interest when exercising their corporate responsibilities" is an example of an ethical statement.

Organizations typically create a code of ethics which outlines the ethical standards employees are required to adhere to. These principles are designed to ensure practices are conducted fairly, honestly, and with high integrity.

92.

What are the three ways of managing budgets?

Top-down, bottom-up, parallel

Fiscal year, incremental, zero-based

Managed-down, parallel, incremental

Bottom-up, zero-based, incremental

Correct answer: Top-down, bottom-up, parallel

Budgeting is an annual planning process that aligns organizational goals with the financial resources of the organization. The two primary ways to create a budget include incremental and zero-based budgeting. Regardless of the type of budget created, the approach to developing the budget can be managed in three ways: top-down, bottom-up, or parallel.

Top-down budgeting refers to a budget that is created by the senior management team and then communicated to the remainder of the organization to implement. Line managers have very little input or control over the development of their departmental or program budgets.

Bottom-up budgeting refers to a budget that is created opposite of the top-down budgeting approach. A bottom-up approach includes any team members that have budget oversight to the budgeting development process.

A parallel budgeting process is a combination approach. This includes pieces of both of the above approaches.
