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Business Acumen for Compensation Professionals

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QUESTION NO: 1

Using efficient and cost-effective approaches to integrate technology into the workplace is an example of what key competency for compensation professionals?

- A. Financial Management
- B. HR Management
- C. Resource Management
- D. Policy Management

ANSWER: C**QUESTION NO: 2**

What is the primary reason why a compensation professional working for a multinational company should understand regulatory requirements and application of rewards globally?

- A. Because legal compliance with compensation-related regulations is the responsibility of the compensation department
- B. Because the compensation professional has a fiduciary responsibility to ensure that the financial resources of their organization are spent in a prudent manner
- C. Because it is possible to pay significantly less for talent in different countries and compensation should advise management on when and where to locate various jobs within the company
- D. They shouldn't. Due to the complexities of global regulations and practices, compensation administration outside of the home country should be outsourced.

ANSWER: B**QUESTION NO: 3**

Which of the following best describes present value?

- A. The current value of holdings
- B. The current value of holdings and how much it will grow over time at a given rate of return
- C. The desired value in the future and what needs to be invested today to realize that amount
- D. The difference between the desired value in the future and the current value as a percentage of the desired value

ANSWER: C

QUESTION NO: 4

What information is found on the balance sheet?

- A.** A list of what is owned, what is owed and the equity of an entity
- B.** The revenues and expenses incurred by an entity over a period of time
The change during the reporting period in cash and cash equivalents
- C.** The profitability of the company as of a specific date

ANSWER: A

QUESTION NO: 5

What most accurately describes a reason why organizations use financial reports?

- A.** To differentiate company financial data from industry competitors to prevent loss of proprietary information
- B.** To provide subjective information to key constituents that reflects the company's performance in the most favorable manner depending on stakeholder priorities
- C.** To create a historical record of financial performance and identify trends that may justify changes in strategy
- D.** To promote consistency of communication regarding company performance and value

ANSWER: D

QUESTION NO: 6

What best describes the primary purpose of budgeting?

- A.** Limiting spending to a fixed percentage of organizational revenue
- B.** Making choices about spending based on expectations of performance
- C.** Increasing profitability of the business annually to maximize shareholder/owner value
- D.** Complying with local legislation and maintaining accurate records to prepare financial reports and tax documents

ANSWER: B

QUESTION NO: 7

The “return” represented by the Total Shareholder Return (TSR) metric is the increase in what?

- A. Earnings
- B. Shares
- C. Market capitalization
- D. Increased market value and reinvested dividends paid

ANSWER: D

QUESTION NO: 8

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

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

ANSWER: C

QUESTION NO: 9

What best describes an effective core technique for communicating with executives?

- A. Focus on negative issues first, such as compensation costs exceeding budget, to get their attention
- B. Provide a wide range of facts and figures. With their high level of responsibility, executives must have all the data before they can make informed decisions.
- C. Assume they have little knowledge of the issue and make a detailed presentation leading up to the purpose of the meeting.
- D. Recommend a solution that will solve the issue and explain why it is the best solution available.

ANSWER: D

QUESTION NO: 10

Which of the following is the best example of applying business acumen to data analysis?

- A.** Compiling data needed to calculate salary budgets and merit increases
- B.** Identifying trends and key messages emerging over time
- C.** Reviewing historical trends to complete annual budgets
- D.** Providing quarterly incentive estimates for accruals

ANSWER: B