Compensation (Canadian) 6th edition Yap Test Bank

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Compensation 6ce Edition by Yap Ch01

Correct answers are located in the second half of this document.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Paying executives based on company performance measures such as shareholder return can help keep executives focused on the best interests of the company

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Topic : 01-04 Stockholders
Difficulty : Easy

2) Compensation refers to all forms of non-financial returns and intangible services and benefits that employees receive as part of an employment relationship.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Difficulty : Medium
Topic : 01-07 Global Views

3) Total compensation includes psychological aspects of work such as recognition and status, challenging work, and learning opportunities.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

4) Base pay is the cash compensation an employer pays for the work performed.

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◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-09 Cash Compensation: Base Pay

5) Cost-of-living adjustment refers to percentage increment to base pay provided to employees based on their performance.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-10 Cash Compensation: Merit Increases and Cost-of-Living Adjustments

6) Incentives may be long-term or short-term.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-11 Cash Compensation: Incentives
Topic : 01-12 Long-Term Incentives

7) Total compensation only includes salary and incentives; not benefits.

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

8) Making contributions to Workers' Compensation is at discretion of the employer.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-13 Benefits: Insurance and Pensions

9) Allowances are rewards given to employees based on their performance.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-14 Benefits: Work/Life Programs

10) Compliance means an organization cares about how its results are achieved

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Identify and explain the strategic objectives of compensation.
Topic : 01-20 Strategic Compensation Objectives

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11) External competitiveness refers to pay comparisons between different skill levels in an organization.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

12) While external competitiveness directly affects efficiency, it does not affect fairness.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices
Difficulty : Hard

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

13) Which of the following is NOT a contributing factor to wage determination?

A) gender
B) education
C) size of organization
D) volunteer experience
E) tenure

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Topic : 01-03 Society
Difficulty : Medium

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14) Pay for executives should supposedly to be tied to:

A) the company's financial performance
B) the company's reputation
C) the financial needs of the employee
D) the company's growth potential
E) the cost of living index

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Topic : 01-04 Stockholders
Difficulty : Easy

15) Which of the following refers to a multiple meaning of compensation?

A) societal
B) employee
C) stockholder
D) relational
E) personal

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

16) Which of the following is NOT part of an employee's total compensation?

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A) paid vacation
B) health insurance
C) relational returns
D) cost-of-living adjustments
E) pay

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

17) Which of the following best describes relational returns?

A) all rewards received by employees, including cash compensation, benefits, and psychological returns
B) all forms of financial returns and tangible services that employees receive as part of an employment
C) programs that help employees better integrate their work and life responsibilities
D) one-time payments for meeting previously established performance objectives
E) the psychological returns people believe they receive in the workplace

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay
Topic : 01-17 Relational Returns from Work

18) _____ includes cash compensation, benefits, and relational returns.

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A) Total compensation
B) Total cash benefit
C) Total base pay
D) Total rewards
E) Total incentive

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

19) Which of the following is NOT a form of relational return?

A) employment security
B) recognition and status
C) work-life balance
D) challenging work
E) learning opportunities

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

20) Working with great co-workers is a(n) _____.

A) incentive
B) entitlement
C) relational return
D) network of returns
E) benefit

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-17 Relational Returns from Work

21) Which of the following statements is true about the forms of pay?

A) Relational returns are more transactional than total compensation.
B) Unlike relational returns, total compensation typically refers to the psychological returns people believe they receive in the workplace.
C) Base pay, incentives, and cost-of-living adjustments are the typical relational returns.
D) Merit increases refer to the same percentage increase that everyone receives regardless of performance in order to maintain pay levels relative to increases in the cost of living.
E) Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-09 Cash Compensation: Base Pay

22) A merit increase is best described as:

A) an increment to base pay that recognizes past work behaviour.
B) psychological returns employees believe they receive in the workplace.
C) a one-time reward for past performance that does not increase base pay.
D) percentage increment to base pay provided to all employees regardless of performance.
E) compensation given to provide for items that are in short supply.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-10 Cash Compensation: Merit Increases and Cost-of-Living Adjustments

23) Which of the following best describes cost-of-living adjustment?

A) one-time payments for meeting previously established performance objectives
B) increment to base pay in recognition of past work behaviour
C) percentage increment to base pay provided to all employees regardless of performance
D) compensation to provide for items that are in short supply
E) consolidated pay which is not subject to any change regardless of the cost-of-living

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-10 Cash Compensation: Merit Increases and Cost-of-Living Adjustments

24) _____ refer to one-time payments for meeting previously established performance objectives.

A) Cost-of-living adjustments
B) Incentives
C) Merit increments
D) Relational returns
E) Allowances

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-11 Cash Compensation: Incentives

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25) Which of the following is a work/life program?

A) stock options
B) health insurance
C) telecommuting
D) employment Insurance
E) cost-of-living adjustment

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-14 Benefits: Work/Life Programs

26) _____ refers to the compensation given to purchase items that are in short supply.

A) Variable pay
B) Incentive
C) Cost-of-living adjustment
D) Allowance
E) Wage

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-15 Benefits: Allowances

27) Which of the following is true of the present value perspective?

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A) It considers today's initial offers to employees.
B) It considers future bonuses, merit increases, and promotions.
C) It establishes a limit on the amount spent on benefits.
D) It creates an external competitiveness through future promises.
E) It assesses the present value of a company to offer stock options to employees.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-16 Total Earnings Opportunities: Present Value of a Stream of Earnings

28) Which of the following is a form of relational return?

A) life Insurance
B) allowances
C) recognition and status
D) monitory incentives
E) benefits

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-17 Relational Returns from Work

29) Internal alignment may be achieved by:

A) creation of cross-functional departments
B) matching competitors' wage rates
C) paying below-market base wages but offering training and rapid promotion
D) compensating employees at above-market rates
E) comparing pay between jobs or skill levels inside a single organization

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

30) Which of the following is true of internal alignment?

A) It does not influence the company's compensation objectives.
B) It compares pay between jobs inside a single organization.
C) It uses incentive programs as a technique to implement the policy.
D) It places greater emphasis on performance than the other policies.
E) It relates to comparison of compensation with that of competitors.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

31) External competitiveness refers to:

A) competitiveness between different departments in a company
B) the relative importance of jobs within a company
C) comparison of product prices with that of competitors
D) comparison of compensation with that of competitors
E) inflationary pressure caused by external market factors

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

32) Which of the following pay policies lays emphasis on performance?

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A) Employee contributions
B) Administration of the pay system
C) External competitiveness
D) Internal alignment
E) Management

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

33) How can a well-designed compensation system help achieve and sustain competitive advantage?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Difficulty : Medium
Topic : 01-01 Why Should We Care About Compensation?

34) What are some of the main reasons for the gender wage gap?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe how compensation is viewed differently by society, stockholders,
Topic : 01-03 Society
Difficulty : Medium

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35) Explain the two major categories of total rewards.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-08 Forms of Pay

36) Why are work-life programs becoming so popular with employers?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-14 Benefits: Work/Life Programs

37) What are the differences between short-term and long-term incentives?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-11 Cash Compensation: Incentives
Topic : 01-12 Long-Term Incentives

38) What are the three basic building blocks of a pay model?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Discuss major components of total rewards.
Topic : 01-19 A Pay Model

39) What is the difference between procedural and distributive fairness?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Identify and explain the strategic objectives of compensation.
Topic : 01-20 Strategic Compensation Objectives

40) Briefly describe the four main strategic policy decisions in the pay model.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Describe the four strategic policies in the pay model and the techniques a
Topic : 01-21 Four Policy Choices

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Answer Key

Test name: 001

1) TRUE
2) FALSE
3) FALSE
4) TRUE
5) FALSE
6) TRUE
7) FALSE
8) FALSE
9) FALSE
10) FALSE
11) FALSE
12) FALSE
13) D
14) A
15) D
16) C
17) E
18) D
19) C
20) C
21) E
22) A
23) C
24) B
25) C
26) D

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27) B
28) C
29) E
30) B
31) D
32) A
33) How people are paid affects their behaviour at work, which affects an organization's chances of success. For most employers, compensation is a major part of the total cost of running a business, and often it is the single largest part of operating cost. These two facts together mean that well-designed compensation systems can help an organization achieve and sustain competitive advantage.

34) There are a few observations of what may have contributed to the gender wage gap: that women are more likely to study health and education, whereas men are more likely to study engineering and other technology fields; that women are more willing than men to adjust their work location and hours to take care of young children and elderly parents, and to do most if not all of the "unpaid" housework; and, finally, that nearly one in three women work in sales and service occupations, whereas men are likely to work in construction trades, in transport, and as equipment operators.

35) The two major categories of total rewards are relational returns and total compensation. The relational returns (development opportunities, status, opportunity to belong, challenging work, and so on) are the psychological returns people believe they receive in the workplace. Total compensation is more transactional and includes pay received directly as cash (e.g., base, merit increases, incentives, cost-of-living adjustments) and indirectly as benefits (e.g., pensions, medical insurance, programs to help balance work and life demands).

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36) Work/life programs that help employees better integrate their work and life responsibilities include time away from work (e.g., vacations, jury duty), access to services to meet specific needs (e.g., drug counselling, financial planning, referrals for child- and eldercare), and flexible work arrangements (e.g., telecommuting, non-traditional schedules, non-paid time off). Responding to the tight labour market for highly skilled employees and the changing demographics of the workforce (e.g., two-income families that demand employer flexibility so that family obligations can be met), many Canadian employers are giving higher priority to these forms of benefits.

37) Short-term incentives are typically one-time payments without a permanent effect on labour costs. When performance declines, incentive pay automatically declines, too.

Long-term incentives are intended to focus employee efforts on multiyear results. Typically they are in the form of stock ownership or options to buy stock at a predetermined price.

38) A pay model contains three basic building blocks: (1) the strategic compensation objectives, (2) the strategic policies that form the foundation of the compensation system, and (3) the techniques of compensation.

39) *Procedural fairness* refers to the process used to make decisions about pay. It suggests that the way a pay decision is made may be as important to employees as the result of the decision, which is distributive fairness. The fairness objective calls for fair treatment for all employees by recognizing both employee contributions (e.g., higher pay for greater performance, experience, or training) and employee needs (e.g., a fair wage as well as fair procedures).

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40) Internal alignment refers to pay comparisons between jobs or skill levels inside a single organization. Jobs and people's skills are compared in terms of their relative contribution to the organization's objectives. External competitiveness refers to compensation relationships external to the organization (i.e., compared with competitors). External competitiveness directly affects both efficiency and fairness. Employee conditions refers to the degree of emphasis placed on performance, which directly affects employees' attitudes and work behaviours. Employers with strong pay-for-performance policies put greater emphasis on incentives and merit pay.
A policy regarding management of the pay system is the last building block in the pay model, which recognizes that a pay system will not achieve its objectives unless it is managed properly. Proper management of the pay system ensures that the right people get the right pay for achieving the right objectives in the right way.

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