

Test Bank for Compensation Canadian 5th Edition by Milkovich Newman and Yap ISBN 1259086879 9781259086878

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Exam

Name _____

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

- 1) Pay for executives should supposedly be tied to: 1) _____
- A) the financial needs of the employee
 - B) the company's reputation
 - C) the company's growth potential
 - D) the company's financial performance
 - E) the cost of living index
- 2) All forms of financial returns and tangible services and benefits that employees receive as part of an employment relationship are known as _____. 2) _____
- A) total rewards
 - B) base pay
 - C) merit pay
 - D) compensation
 - E) relational returns
- 3) Which of the following is NOT part of an employee's total compensation? _____
- A) paid vacation
 - B) pay
 - C) health insurance
 - D) relational returns
 - E) cost-of-living adjustments
- 4) Which of the following best describes relational returns? _____
- A) all forms of financial returns and tangible services that employees receive as part of

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B) the
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- cal returns people believe they receive in the workplace
- C) all rewards received by employees, including cash compensation, benefits, and psychological returns
 - D) one-time payments for meeting previously established performance objectives

3) _____

E) p
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that help employees better integrate their work and life responsibilities

4) _____

5) _____ include psychological aspects of work such as recognition and status, challenging work, and learning opportunities.

5) _____

- A) Subjective returns
- B) Cognitive returns
- C) Relational returns
- D) Compensational returns
- E) Qualitative returns

- 6) _____ includes cash compensation, benefits, and relational returns. 6) _____
- A) Total incentive
 - B) Total compensation
 - C) Total reward
 - D) Total base pay
 - E) Total cash benefit
- 7) Total compensation does NOT include: 7) _____
- A) insurance benefits
 - B) relational returns
 - C) base pay
 - D) allowances
 - E) incentives
- 8) Which of the following is NOT a form of cash compensation? 8) _____
- A) insurance
 - B) financial planning
 - C) allowances
 - D) pensions
 - E) stock options
- 9) Which of the following is NOT a benefit component of total compensation? 9) _____
- A) relational returns
 - B) allowances
 - C) incentives
 - D) cost-of-living adjustment
 - E) merit increase
- 10) Which of the following statements is true about the forms of pay? 10) _____
- A) Base pay, incentives, and cost-of-living adjustments are the typical relational returns.
 - B) Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.
 - C) 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.
 - D) Relational returns are more transactional than total compensation.
 - E) Unlike relational returns, total compensation typically refers to the psychological returns people believe they receive in the workplace.

11) Which of the following refers to pay calculated at an hourly rate? 11) _____
A) merit increase
B) total reward
C) wage
D) salary
E) compensation

12) A merit increase is best described as: 12) _____
A) an increment to base pay that recognizes past work behaviour.
B) a one-time reward for past performance that does not increase base pay.
C) compensation given to provide for items that are in short supply.
D) percentage increment to base pay provided to all employees regardless of performance.
E) psychological returns employees believe they receive in the workplace.

13) Which of the following best describes cost-of-living adjustment? 13) _____
A) one-time payments for meeting previously established performance objectives
B) increment to base pay in recognition of past work behaviour
C) consolidated pay which is not subject to any change regardless of the cost-of-living
D) percentage increment to base pay provided to all employees regardless of performance
E) compensation to provide for items that are in short supply

14) _____refer to one-time payments for meeting previously established performance objectives. 14) _____
A) Incentives
B) Cost-of-living adjustments
C) Relational returns
D) Merit increments
E) Allowances

15) An incentive payment: 15) _____
A) refers to psychological returns employees believe they receive in the workplace.
B) is part of an employee's base wage.
C) is non-taxable and therefore highly preferred by employees.
D) is made to provide for items that are in short supply.
E) ties pay increases directly to an employee's performance.

16) Which of the following is a work/life program? C) health insurance
A) stock options
B) employment Insurance
D) cost-

of-living adjustment
E) telecommuting

16) _____

17) Which of the following best describes allowances? 17) _____

- A) percentage increment to base pay provided to all employees regardless of performance
- B) compensation to provide for items that are in short supply
- C) programs that help employees better integrate their work and life responsibilities
- D) one-time payments for meeting previously established performance objectives
- E) pay calculated at an annual or monthly rate

18) _____ refers to the compensation given to purchase items that are in short supply. 18) _____

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

19) Which of the following is true of the present value perspective? 19) _____

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

20) Which of the following is a form of relational return? 20) _____

- A) allowances
- B) monetary incentives
- C) life insurance
- D) recognition and status
- E) benefits

21) _____ as a pay objective involves abiding by various federal, provincial, and territorial compensation laws and regulations. 21) _____

- A) Efficiency
- B) Competitiveness
- C) Alignment
- D) Compliance
- E) Fairness

22) Internal alignment may be achieved by: _____

- A) creation of cross-functional departments
- B) paying below-market base wages but offering training and rapid promotion
- C) matching competitors' wage rates
- D) comparing pay between jobs

or skill levels inside a single organization
E) compensating employees at above-market rates

22) _____

23) Which of the following is true of internal alignment? 23) _____
A) It does not influence the company's compensation objectives.
B) It uses incentive programs as a technique to implement the policy.
C) It places greater emphasis on performance than the other policies.
D) It compares pay between jobs inside a single organization.
E) It relates to comparison of compensation with that of competitors.

24) External competitiveness refers to: 24) _____
A) comparison of product prices with that of competitors
B) the relative importance of jobs within a company
C) competitiveness between different departments in a company
D) comparison of compensation with that of competitors
E) inflationary pressure caused by external market factors

25) Which of the following pay policies lays emphasis on performance? 25) _____
A) Administration of the pay system
B) Management
C) External competitiveness
D) Employee contributions
E) Internal alignment

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

26) When executive pay is excessive relative to company performance, profits are diverted away from stockholders to the executives. 26) _____

27) Total compensation includes psychological aspects of work such as recognition and status, challenging work, and learning opportunities. 27) _____

28) Base pay is the cash compensation an employer pays for the work performed. 28) _____

29) Cost-of-living adjustment refers to percentage increment to base pay provided to employees based on their performance. 29) _____

30) Merit pay is a one-time payment for meeting previously established performance objectives. 30) _____

31) Incentives may be long-term or short-term. 31) _____

32) Total compensation only includes salary and incentives; not benefits. 32) _____

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

33) _____

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

34) _____

- 35) Procedural fairness is the fairness of the process used to make a decision about pay. 35) _____
- 36) Compensation objectives provide standards for evaluating the effectiveness of the pay system. 36) _____
- 37) External competitiveness refers to pay comparisons between different skill levels in an organization. 37) _____
- 38) Pay relationships within the organization affect employee decisions to stay with the organization. 38) _____
- 39) While external competitiveness directly affects efficiency, it does not affect fairness. 39) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 40) Why is executive pay in Canada of special interest to stockholders?
- 41) Why is compensation important to managers?
- 42) What are the two major categories of total rewards?
- 43) Explain the two major categories of total rewards.
- 44) What does base pay reflect?
- 45) What is base pay? Distinguish between a wage and a salary.
- 46) What are long-term incentives?
- 47) What are the basic building blocks of a pay model?
- 48) List the three basic objectives of a compensation system.
- 49) What is procedural fairness?

Answer Key

Testname: UNTITLED1

- 1) D
- 2) D
- 3) D
- 4) B
- 5) C
- 6) C
- 7) B
- 8) E
- 9) B
- 10) B
- 11) C
- 12) A
- 13) D
- 14) A
- 15) E
- 16) E
- 17) B
- 18) C
- 19) D
- 20) D
- 21) D
- 22) D
- 23) D
- 24) D
- 25) D
- 26) TRUE
- 27) FALSE
- 28) TRUE
- 29) FALSE
- 30) FALSE
- 31) TRUE
- 32) FALSE
- 33) FALSE
- 34) FALSE
- 35) TRUE
- 36) TRUE
- 37) FALSE
- 38) TRUE
- 39) FALSE
- 40) In Canada, pay for executives should supposedly be tied to the financial performance of the company.
When executive pay is excessive relative to company performance, profits are diverted away from stockholders to the executives.
- 41) Managers have a stake in compensation: It directly influences their success in two ways: (1) compensation is a major expense, and (2) a manager uses it as a way to influence employee behaviour and consequently improve organization performance.
- 42) Total compensation and relational returns

Answer Key

Testname: UNTITLED1

- 43) 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).
- 44) Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.
- 45) Base pay is the cash compensation an employer pays for the work performed. Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.
A distinction is often made between a wage and a salary, with salary referring to pay that is calculated at an annual or monthly rate rather than hourly which is the basis for wage.
- 46) Long-term incentives are intended to focus employee efforts on multi-year results. Typically, they are in the form of stock ownership or options to buy stock at specified, advantageous prices.
- 47) 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.
- 48) Efficiency, fairness and compliance to rules and regulations.
- 49) Procedural fairness is concerned with the processes 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.