

Name _____

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

1) An incentive payment: 1) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

2) Which of the following is a form of relational return? 2) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

3) Which of the following is a work/life program? 3) _____

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

Answer: A

Explanation: A)
B)
C)
D)
E)

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

4) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

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

5) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

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

6) _____

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

Answer: D

Explanation: A)
B)
C)
D)
E)

- 7) Which of the following statements is true about the forms of pay? 7) _____
- A) Relational returns are more transactional than total compensation.
 - 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) Unlike relational returns, total compensation typically refers to the psychological returns people believe they receive in the workplace.
 - E) Base pay, incentives, and cost-of-living adjustments are the typical relational returns.

Answer: B

Explanation: A)
B)
C)
D)
E)

- 8) Internal alignment may be achieved by: 8) _____
- A) comparing pay between jobs or skill levels inside a single organization
 - B) paying below-market base wages but offering training and rapid promotion
 - C) matching competitors' wage rates
 - D) compensating employees at above-market rates
 - E) creation of cross-functional departments

Answer: A

Explanation: A)
B)
C)
D)
E)

- 9) All forms of financial returns and tangible services and benefits that employees receive as part of an employment relationship are known as _____. 9) _____
- A) relational returns
 - B) compensation
 - C) total rewards
 - D) merit pay
 - E) base pay

Answer: B

Explanation: A)
B)
C)
D)
E)

10) Which of the following is NOT a benefit component of total compensation?

10) _____

- A) allowances
- B) merit increase
- C) relational returns
- D) incentives
- E) cost-of-living adjustment

Answer: A

Explanation: A)
B)
C)
D)
E)

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

11) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

12) Which of the following best describes relational returns?

12) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

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

13) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

14) Total compensation does NOT include:

14) _____

- A) insurance benefits
- B) base pay
- C) relational returns
- D) incentives
- E) allowances

Answer: C

Explanation: A)
B)
C)
D)
E)

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

15) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

16) External competitiveness refers to:

16) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

17) Which of the following refers to pay calculated at an hourly rate?

17) _____

- A) total reward
- B) compensation
- C) wage
- D) salary
- E) merit increase

Answer: C

Explanation: A)
B)
C)
D)
E)

18) A merit increase is best described as:

18) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

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

19) _____

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

Answer: C

Explanation: A)
B)
C)
D)
E)

20) Which of the following best describes allowances?

20) _____

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

Answer: E

Explanation: A)
B)
C)
D)
E)

21) Which of the following is NOT a form of cash compensation?

21) _____

- A) pensions
- B) insurance
- C) stock options
- D) allowances
- E) financial planning

Answer: C

Explanation: A)
B)
C)
D)
E)

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

22) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

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

23) _____

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

Answer: B

Explanation: A)
B)
C)
D)
E)

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

24) _____

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

Answer: E

Explanation: A)
B)
C)
D)
E)

- 25) Which of the following best describes cost-of-living adjustment? 25) _____
- A) one-time payments for meeting previously established performance objectives
 - B) consolidated pay which is not subject to any change regardless of the cost-of-living
 - 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) increment to base pay in recognition of past work behaviour

Answer: C

Explanation: A)
B)
C)
D)
E)

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

- 26) Base pay is the cash compensation an employer pays for the work performed. 26) _____

Answer: ☒ True ☐ False

Explanation:

- 27) Total compensation only includes salary and incentives; not benefits. 27) _____

Answer: ☐ True ☒ False

Explanation:

- 28) When executive pay is excessive relative to company performance, profits are diverted away from stockholders to the executives. 28) _____

Answer: ☒ True ☐ False

Explanation:

- 29) Total compensation includes psychological aspects of work such as recognition and status, challenging work, and learning opportunities. 29) _____

Answer: ☐ True ☒ False

Explanation:

- 30) Incentives may be long-term or short-term. 30) _____

Answer: ☒ True ☐ False

Explanation:

- 31) External competitiveness refers to pay comparisons between different skill levels in an organization. 31) _____

Answer: ☐ True ☒ False

Explanation:

- 32) Making contributions to Workers' Compensation is at discretion of the employer. 32) _____

Answer: ☐ True ☒ False

Explanation:

- 33) Compensation objectives provide standards for evaluating the effectiveness of the pay system. 33) _____
Answer: ☒ True ☐ False
Explanation:
- 34) Pay relationships within the organization affect employee decisions to stay with the organization. 34) _____
Answer: ☒ True ☐ False
Explanation:
- 35) Procedural fairness is the fairness of the process used to make a decision about pay. 35) _____
Answer: ☒ True ☐ False
Explanation:
- 36) While external competitiveness directly affects efficiency, it does not affect fairness. 36) _____
Answer: ☐ True ☒ False
Explanation:
- 37) Allowances are rewards given to employees based on their performance. 37) _____
Answer: ☐ True ☒ False
Explanation:
- 38) Cost-of-living adjustment refers to percentage increment to base pay provided to employees based on their performance. 38) _____
Answer: ☐ True ☒ False
Explanation:
- 39) Merit pay is a one-time payment for meeting previously established performance objectives. 39) _____
Answer: ☐ True ☒ False
Explanation:

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

- 40) What is procedural fairness?
Answer: 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.
- 41) What are the two major categories of total rewards?
Answer: Total compensation and relational returns
- 42) Why is compensation important to managers?
Answer: 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.

43) Why is executive pay in Canada of special interest to stockholders?

Answer: 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.

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

Answer: 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.

45) What does base pay reflect?

Answer: Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.

46) What are long-term incentives?

Answer: 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) Explain the two major categories of total rewards.

Answer: 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).

48) What is base pay? Distinguish between a wage and a salary.

Answer: 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.

49) List the three basic objectives of a compensation system.

Answer: Efficiency, fairness and compliance to rules and regulations.

Answer Key

Testname: C1

- 1) B
- 2) C
- 3) A
- 4) C
- 5) C
- 6) D
- 7) B
- 8) A
- 9) B
- 10) A
- 11) B
- 12) C
- 13) C
- 14) C
- 15) B
- 16) B
- 17) C
- 18) C
- 19) C
- 20) E
- 21) C
- 22) B
- 23) B
- 24) E
- 25) C
- 26) TRUE
- 27) FALSE
- 28) TRUE
- 29) FALSE
- 30) TRUE
- 31) FALSE
- 32) FALSE
- 33) TRUE
- 34) TRUE
- 35) TRUE
- 36) FALSE
- 37) FALSE
- 38) FALSE
- 39) FALSE
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- 49) Efficiency, fairness and compliance to rules and regulations.