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## Question 1

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**Question Type:** MultipleChoice

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What statement is most accurate regarding compensation communications with employees at varying levels?

**Options:**

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- A-** They tend to be fairly consistent because the elements of pay may differ, but the concerns are universal.
- B-** They generally require a greater degree of detail for lower level employees who have less of an understanding of pay plan design.
- C-** They usually require more detail for senior employees regarding plan details and performance and the needs from one employee group to another can vary greatly.
- D-** They should be kept to a minimum for employees at all levels to maximize efficiency and efforts can be focused only on those who have questions.

**Answer:**

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C

## Question 2

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**Question Type: MultipleChoice**

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What statement is most accurate regarding communication of compensation information?

**Options:**

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- A-** Compensation professionals should anticipate the level of the audience and tailor messages to their needs.
- B-** Compensation terms and practices are unclear to most individuals who do not work in this area and communication should be tailored to the least informed member of the target audience.
- C-** The ready availability of information online has made it unnecessary for compensation professionals to tailor messages since individuals can research terms and concepts after the fact if they don't understand a communication.
- D-** Compensation terms are well-known and easily understood by most stakeholders.

**Answer:**

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A

## Question 3

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**Question Type: MultipleChoice**

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Regarding fixed and variable costs, what are Finance's primary concerns?

**Options:**

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- A- Fixed costs must be kept to a minimum, but variable costs can fluctuate since they tend to correlate with revenue.
- B- Variable costs often have a heavier focus than fixed costs, which applies to all areas, including compensation.
- C- Fixed costs and variable costs are equally important and both should be kept to a minimum.
- D- Fixed costs are not a concern because they cannot be changed, so the focus is primarily on variable costs.

**Answer:**

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B

## Question 4

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**Question Type: MultipleChoice**

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Which of the following best describes the most likely perspectives of different groups in the organization that compensation professionals must be aware of?

## Options:

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- A-** Investors and Finance want to see money spent wisely. Legal must ensure compliance, and HR and operating departments want to see their needs taken into account to attract, retain and motivate a high quality workforce.
- B-** Operating departments and HR understand the company must live within its means and Finance cannot allocate funds to a budget if it is likely that profitability will be adversely affected.
- C-** Investors want to maximize gains and want to see compensation tightly controlled and Legal needs to ensure that compensation plans do not attract undue scrutiny.
- D-** Operating departments view compensation as it applies to them, HR must balance available resources to attract, retain and motivate employees and Finance knows the value of a motivated workforce and will provide the budget necessary to achieve it.

## Answer:

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A

## Question 5

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### Question Type: MultipleChoice

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Your company has had a strong fiscal year with a 15% increase in net income over the prior fiscal year. Share prices are at an all time high. Working with Finance, you have arrived at a 2.5% merit increase budget for the next fiscal year, a smaller increase than the last fiscal year. Finance has indicated that some large capital expenditures will be needed next year, so the company needs to conserve

resources. Additionally, Legal is in final negotiations on a lawsuit that may be very costly to the company. Word of the smaller increases has line management concerned that they will lose their best performers. Given all of these factors, what is your best course of action?

**Options:**

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- A-** Implement the merit increase budget as is because the anticipated financial obligations have made it necessary
- B-** Meet with Finance and make a case for a larger merit increase budget because the loss of key talent will cost more over the long term than the savings from the smaller merit increases
- C-** Gather the perspectives of all stakeholders, analyze their individual concerns and meet to determine whether a compromise solution is possible
- D-** Recommend a reduction in force to eliminate poor performers, which will increase the merit budget by reducing headcount

**Answer:**

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C

## Question 6

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**Question Type:** MultipleChoice

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The Delta Company has experienced increased turnover in the past two years. Data from exit interviews indicate that most of those leaving did so for better opportunities and higher compensation. If Delta pays at the highest percentile of the market for their peer group, what data analysis should they do?

**Options:**

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- A-** Additional quantitative analysis to determine whether pay rates are truly competitive or existing data are unreliable
- B-** Qualitative data collection to talk to key stakeholders and employees and determine whether the exit interviews accurately reflect their concerns
- C-** Qualitative data collection in the form of an employee survey with questions about employee satisfaction with pay levels
- D-** No additional data analysis is needed. Delta should increase pay rates based on the existing data to decrease turnover.

**Answer:**

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B

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