

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 company's growth potential
B) the company's financial performance
C) the financial needs of the employee
D) the cost of living index
E) the company's reputation
- 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) merit pay
B) total rewards
C) relational returns
D) compensation
E) base pay
- 3) Which of the following is NOT part of an employee's total compensation? 3) _____
A) cost-of-living adjustments
B) relational returns
C) pay
D) paid vacation
E) health insurance
- 4) Which of the following best describes relational returns? 4) _____
A) one-time payments for meeting previously established performance objectives
B) the psychological returns people believe they receive in the workplace
C) all rewards received by employees, including cash compensation, benefits, and psychological returns
D) all forms of financial returns and tangible services that employees receive as part of an employment
E) programs that help employees better integrate their work and life responsibilities
- 5) _____ include psychological aspects of work such as recognition and status, challenging work, and learning opportunities. 5) _____
A) Cognitive returns
B) Qualitative returns
C) Subjective returns
D) Compensational returns
E) Relational returns

6) _____ includes cash compensation, benefits, and relational returns. 6) _____
A) Total incentive
B) Total base pay
C) Total reward
D) Total cash benefit
E) Total compensation

7) Total compensation does NOT include: 7) _____
A) relational returns
B) base pay
C) allowances
D) incentives
E) insurance benefits

8) Which of the following is NOT a form of cash compensation? 8) _____
A) allowances
B) insurance
C) stock options
D) financial planning
E) pensions

9) Which of the following is NOT a benefit component of total compensation? 9) _____
A) cost-of-living adjustment
B) relational returns
C) merit increase
D) incentives
E) allowances

10) Which of the following statements is true about the forms of pay? 10) _____
A) Unlike relational returns, total compensation typically refers to the psychological returns people believe they receive in the workplace.
B) Base pay, incentives, and cost-of-living adjustments are the typical relational returns.
C) Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.
D) Relational returns are more transactional than total compensation.
E) 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.

- 11) Which of the following refers to pay calculated at an hourly rate? 11) _____
- A) salary
 - B) total reward
 - C) compensation
 - D) wage
 - E) merit increase
- 12) A merit increase is best described as: 12) _____
- A) a one-time reward for past performance that does not increase base pay.
 - B) percentage increment to base pay provided to all employees regardless of performance.
 - C) an increment to base pay that recognizes past work behaviour.
 - D) compensation given to provide for items that are in short supply.
 - E) psychological returns employees believe they receive in the workplace.
- 13) Which of the following best describes cost-of-living adjustment? 13) _____
- A) percentage increment to base pay provided to all employees regardless of performance
 - 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) one-time payments for meeting previously established performance objectives
 - 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) Allowances
 - C) Cost-of-living adjustments
 - D) Merit increments
 - E) Relational returns
- 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 made to provide for items that are in short supply.
 - D) is non-taxable and therefore highly preferred by employees.
 - E) ties pay increases directly to an employee's performance.
- 16) Which of the following is a work/life program? 16) _____
- A) employment Insurance
 - B) telecommuting
 - C) cost-of-living adjustment
 - D) health insurance
 - E) stock options

- 17) Which of the following best describes allowances? 17) _____
- A) programs that help employees better integrate their work and life responsibilities
 - B) one-time payments for meeting previously established performance objectives
 - C) pay calculated at an annual or monthly rate
 - D) compensation to provide for items that are in short supply
 - E) percentage increment to base pay provided to all employees regardless of performance
- 18) _____ refers to the compensation given to purchase items that are in short supply. 18) _____
- A) Variable pay
 - B) Wage
 - C) Incentive
 - D) Allowance
 - E) Cost-of-living adjustment
- 19) Which of the following is true of the present value perspective? 19) _____
- A) It considers future bonuses, merit increases, and promotions.
 - B) It considers today's initial offers to employees.
 - C) It creates an external competitiveness through future promises.
 - D) It establishes a limit on the amount spent on benefits.
 - 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) Compliance
 - B) Competitiveness
 - C) Alignment
 - D) Efficiency
 - E) Fairness
- 22) Internal alignment may be achieved by: 22) _____
- A) creation of cross-functional departments
 - B) matching competitors' wage rates
 - C) comparing pay between jobs or skill levels inside a single organization
 - D) paying below-market base wages but offering training and rapid promotion
 - E) compensating employees at above-market rates

- 23) Which of the following is true of internal alignment? 23) _____
- A) It compares pay between jobs inside a single organization.
 - B) It relates to comparison of compensation with that of competitors.
 - C) It does not influence the company's compensation objectives.
 - D) It places greater emphasis on performance than the other policies.
 - E) It uses incentive programs as a technique to implement the policy.
- 24) External competitiveness refers to: 24) _____
- A) the relative importance of jobs within a company
 - B) comparison of product prices with that of competitors
 - C) comparison of compensation with that of competitors
 - D) competitiveness between different departments in a company
 - E) inflationary pressure caused by external market factors
- 25) Which of the following pay policies lays emphasis on performance? 25) _____
- A) Employee contributions
 - B) Management
 - C) External competitiveness
 - D) Internal alignment
 - E) Administration of the pay system

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) B
- 2) D
- 3) B
- 4) B
- 5) E
- 6) C
- 7) A
- 8) C
- 9) E
- 10) C
- 11) D
- 12) C
- 13) A
- 14) A
- 15) E
- 16) B
- 17) D
- 18) D
- 19) A
- 20) D
- 21) A
- 22) C
- 23) A
- 24) C
- 25) A
- 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 rewards that 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 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.