

**BOTSWANA COLLEGE OF DISTANCE
AND OPEN LEARNING**

Diploma in Human Resource Management

Compensation & Reward System

CR121

SESSIONAL EXAMINATION

Marks: 100

3 HOURS

Instructions

1. This examination consists of **Four** sections: A, B, C and D
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section
4. Write answers in the answer booklet provided
5. Write in grammatical English

SECTION A –Multiple Choice Questions

[10 marks]

Answer ALL questions. Each question carries ONE (1) mark.

Choose the best alternative answer.

1. The primary reason compensation is important to managers is because _____.
 - A. Employees regard it as a reward
 - B. It influences employee behavior
 - C. It is a larger cost than benefits
 - D. Stock holders dislike high compensation costs

2. Managers seek internal alignment within their organisations by _____.
 - A. Matching competitors' pay rates
 - B. Following guidelines of similar organisations
 - C. Using fair merit increases
 - D. Paying on the basis of similarities among jobs

3. When employee performance measures are ambiguous and vary from time to time and the organisation's performance is fairly stable over time, the most effective-type of compensation is to offer _____.
 - A. Large base and low incentive pay
 - B. Variety of rewards and base pay
 - C. A variety of rewards with significant incentive pay
 - D. Monetary rewards with large incentives

4. The first issue in setting up benefits package is to determine _____.
- A. Who should be protected or benefited?
 - B. How much choice should employees have among benefits?
 - C. How should benefits be financed?
 - D. Are benefits legally defensible?
5. Ryanair airlines use one type of aircraft in its fleet, and it requires their passengers to carry their luggage to the plane. Ryanair's decisions exemplify which of the following competitive strategies?
- A. Differentiation strategy
 - B. High quality strategy
 - C. Brand notoriety
 - D. Lowest-cost strategy
6. What do compensation managers use to recognise differences in the relative net worth of jobs and to establish pay differentials based upon management priorities?
- A. Job evaluation
 - B. Internal consistency
 - C. Job analysis
 - D. Strategic analysis
7. Your company is sending Sheila on a six-month assignment to Sweden. Which method should you use to determine her base pay?
- A. Headquarters-based
 - B. Host country-based
 - C. Home-country based
 - D. Foreign country-based

8. _____ is an example of a non-monetary reward.
- A. Medical insurance
 - B. Vacations
 - C. Day care assistance
 - D. All of the above
9. This agreement describes the terms of employment that are set between management and union bargaining representatives.
- A. Employee relationship agreement
 - B. Collective bargaining agreement
 - C. Joint employment agreement
 - D. Workplace requisite agreement
10. Which of the following represents the pay rate differences for jobs and employee contributions of unequal worth to a company?
- A. Merit pay
 - B. Incentive pay
 - C. Retention pay
 - D. Pay structures

SECTION B – TRUE/FALSE QUESTIONS

[10 marks]

Answer ALL questions. Each question carries ONE (1) mark.

State whether each of the following statements is TRUE or FALSE

1. A job structure based upon job value, orders jobs on the relative contribution of job content to the organisation's goals.
2. Commissions are an example of incentives.
3. A job-based structure focuses on the skills, knowledge and competencies employees possess.
4. In jobs that pay a base wage, the wage is the same for everyone with the same job title.
5. Reducing the number of job titles in a pay structure tends to raise morale and reduce turnover.
6. Job evaluation is usually conducted before job analysis.
7. A well-designed pay structure is the major factor affecting an organisation's external competitiveness.
8. In cases of equal pay, the formal job description is more important than the actual work performed.
9. Teachers whose pay is relatively low in their pay structure will feel their pay structure is fair if they work in a high-paying district.
10. Pay can be perceived as unfair if there are no appeal procedures.

SECTION C – SHORT ANSWER QUESTIONS

[20 marks]

There are FOUR questions in this section. Answer all of them.

1. Compensation represents both the intrinsic and extrinsic rewards employees receive for performing their jobs. Both intrinsic and extrinsic compensation describe a company's total compensation system. Briefly describe both types of rewards.

(4 marks)

2. Compare and contrast the 'tell and sell' with 'the-tell and listen' methods of performance counselling.

(6 marks)

3. Outline five reasons of why organisations carry out performance appraisals.

(5 marks)

4. Briefly discuss some of the limitations of performance related pay (PRP) as posited by Armstrong and Murlis (1991).

(5 marks)

SECTION D ESSAY-TYPE QUESTIONS

[60 marks]

There are FOUR questions in this section. Answer ONLY three questions in this section.

Question 1

(20 marks)

With the aid of examples discuss five communication systems that may be used by organisations to inform its employees on compensation issues as observed by Armstrong (1998).

Question 2

(20 marks)

Examine the four strategic policies of compensation and reward system that compensation professionals administer to reach compensation goals.

Question 3

(20 marks)

Critically evaluate Maslow's hierarchy of needs theory.

Question 4

(20 marks)

With the aid of examples discuss the four questions to be addressed by managers in order for them to determine the value of an organisation's resources.