

**BOTSWANA COLLEGE OF DISTANCE**  
**AND OPEN LEARNING**

**Diploma in Human Resource Management**

**Compensation & Reward System**

**CR121**

**SPECIAL EXAMINATION**

**Marks: 100**

**3 HOURS**

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**Instructions**

1. This examination is based on material covered in the course module
2. This examination consists of **FOUR** sections: A, B, C and D
3. Answer questions according to instructions given in each section
4. 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. \_\_\_\_\_ is given as increments to the base pay in recognition of past work behavior.
  - A. Base pay
  - B. Cost-of-living adjustments
  - C. Merit pay
  - D. Incentives
  
2. Which of the following is not a factor indicating a pay structure's alignment.
  - A. Fits the external labor market
  - B. Supports organisation strategy
  - C. Is fair to employees
  - D. Motivates behavior toward organisation objectives
  
3. \_\_\_\_\_ is not one of the main dimensions of structuring wage packages.
  - A. Union versus nonunion members' preferences
  - B. The division between direct wages and employee benefits
  - C. Use of two-tier pay plans
  - D. The relationships between worker wages and their managers' pay
  
4. What strategy best describes the use of benefit and compensation packages in order to support both human resource and competitive strategies?
  - A. Worker welfare strategies
  - B. Total compensation strategies
  - C. Total quality management strategies
  - D. Worker satisfaction strategies

5. A company using this competitive strategy seeks to offer a product or service that is completely unique from other competitors in their market segment.
- A. Differentiation strategy
  - B. Defender strategy
  - C. Prospector strategy
  - D. Lowest-cost strategy
6. Mobile Connector Pty (Ltd) plans on sending Raphael to Peru to work for at least three years. They will probably use which method to set his base pay?
- A. Host-country-based
  - B. Home-country-based
  - C. Headquarters-based
  - D. Third-country based
7. A company's ability to sustain market share and profitability for several years running is referred to \_\_\_\_\_.
- A. Differentiation
  - B. Competitive advantage
  - C. Personnel administration
  - D. Compensation practices
8. 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

9. \_\_\_\_\_ is an advantage of seniority pay systems.
- A. Reward exemplary performance.
  - B. Encourage employees to continue to increase their skillsets.
  - C. Help to promote product quality.
  - D. Reward employees on an objective basis.
10. All of the following are major factors used to manage total labour costs except \_\_\_\_\_.
- A. Average employment level
  - B. Average cash compensation
  - C. Number of overtime hours
  - D. Average benefits costs

**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. Companies that pay high wages compared to their industry competitors for many years are likely to go bankrupt.
2. Total compensation includes relational returns, cash compensation and benefits.
3. Paying above the market is an effective competitive strategy.
4. An employer offering lower base pay with higher bonuses is likely to signal they are seeking risk-taking employees.
5. The most important of the pay model policies for assuring fairness is contributions.
6. A job analysis should include poor performers as well as high performing employees.
7. When an organisation changes its strategy and goals, job evaluation helps workers understand what is important in their work.
8. The major compensation challenge facing organisations is to come up with a compensation structure that will be able to retain these young and highly mobile employees.
9. Job pricing is able to compare what it offers with a similar job offered by another company.
10. While government affects the supply of labour through legislation, it has little effect on the demand for labour.

**SECTION C – SHORT ANSWER QUESTIONS**

**[20 marks]**

**There are FIVE questions in this section. Answer all of them.**

1. The employment act in Botswana provides numerous rights, which employers must observe. Briefly discuss any three of these rights. **(6 marks)**
  
2. Briefly discuss two ways in which employee acceptance of compensation can be monitored. **(6 marks)**
  
3. Define the following concepts: **(3 marks)**
  - a. Stick and carrot rewards
  - b. Deferred gratification
  - c. Prerogatives
  
4. Distinguish between incentive stock options and none qualified stock options. **(2 marks)**
  
5. What are the factors that affect decisions on pay level and mix? **(3 marks)**

**SECTION D ESSAY-TYPE QUESTIONS**

**[60 marks]**

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

**Question 1**

**(20 marks)**

As the human resource manager for PillaB (Pty) Ltd you are required to recommend ways in which employees can be motivated to improve productivity.

**Question 2**

Discuss in detail the five constraints of the compensation system.

**Question 3**

**(20 marks)**

Describe five merits of employee benefits to the employer.

**Question 4**

**(20 marks)**

Using an organisation of your choice, examine how external factors have affected its pay structure.