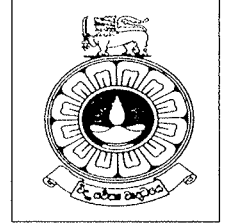


THE OPEN UNIVERSITY OF SRI LANKA  
FACULTY OF MANAGEMENT STUDIES  
BACHELOR OF MANAGEMENT STUDIES HONOURS IN HUMAN RESOURCE  
MANAGEMENT



HRU 5305: COMPENSATION MANAGEMENT

FINAL EXAMINATION – 2024/2025

DURATION – THREE (03) HOURS

Date: 08<sup>th</sup> June 2025

Time: 09.30 a.m. – 12.30 p.m.

**INSTRUCTIONS:**

- This questions paper comprises of six (06) question.
- You are required to answer any five (05) questions.
- Illegible handwriting may lead to reduce marks.
- Each question carries 20 marks.

**Question 01**

“Alpha Tech” is an IT company that experiencing high employee turnover and low employee satisfaction rates. The top management of the company wants to do some adjustment to the compensation practices in-order to manage the situation.

1. Define the term “Compensation Management” and mention any three (3) factors that affect to Compensation Management practices. (5 Marks)
2. Why organizations should pay their attention on Compensation Management? (5 marks)
3. Discuss the key challenges that organizations face when aligning compensation systems with strategic business goals. How companies can manage them? Explain. (10 marks)

**(Total 20 Marks)**

**Question 02**

In the current Volatile, Uncertain, Complex, and Ambiguous (VUCA) environment, organizations are giving greater focus to Strategic Compensation Management. Understanding this area is essential to ensure proper alignment with organizational goals, enhance motivation, and maintain competitiveness.

1. Identify the key components of establishing a compensation philosophy? (5 Marks)
2. Explain how Labour Market factors affect for Strategic Compensation Management? (5 marks)
3. Differentiate the “Internal Equity” and “External Competitiveness”. (10 marks)

**(Total 20 Marks)**

**Question 03**

1. Define the term “bases for pay” in an organization and state any three (3) types of bases for pay. (5 Marks)
2. What is the role of Legal and ethical considerations in pay determination? (5 marks)
3. “Pay decisions can be influenced by different factors”, Explain. (10 marks)

**(Total 20 Marks)**

**Question 04**

1. What does it mean by “Total Reward Strategy” in an organization? (5 Marks)
2. Mention any five (5) benefits and five (5) challenges in Skill-based pay structure. (5 Marks)
3. “Team-based Rewards are more effective than other pay structures”, Critically analyze the given statement. (10 Marks)

**(Total 20 Marks)**

**Question 05**

1. Identify the primary purpose of a compensation system. (5 Marks)
2. Explain any two (2) types of compensation system. (5 Marks)
3. Explain the Steps in Designing a competitive Compensation System. (10 Marks)

**(Total 20 Marks)**

**Question 06**

1. Explain different types of employee benefits that consider under Compensation Management, citing appropriate examples. (10 Marks)
2. Explain Common organizational pay policies that organizations use in Compensation Management by using suitable examples. (10 Marks)

(10\*2=20 marks)

**(Total 20 Marks)**

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