

## CAE Pre-Test: A Sampling of 25 Questions

1. You are the CSE of an association with a staff of 5. Your office officially closed because of a blizzard. However, because of an imminent Board meeting, you have asked your administrative assistant to finish some work at the office. She expresses concern about the hazardous driving conditions, but on your insistence, she relents. During her drive into the office, she has a serious car accident requiring lengthy hospitalization. Which of the following BEST describes the Board's legal liability for this situation?
  - a) None, the employee is responsible for her own commuting.
  - b) The same as any weekend work when the office is officially closed.
  - c) Depends on whether she was going to receive comp time.
  - d) Probable liability.
  
2. A member of the association may be involuntarily terminated without legal consequences when the reason for termination is:
  - a) failure to comply with the association business/professional code of ethics.
  - b) does not meet arbitrary conditions imposed by the association.
  - c) withdrawal from the business or industry.
  - d) late renewal of required license or certification.
  
3. Which of the following does NOT constitute a lobbying activity?
  - a) Preparing summaries of specific legislation.
  - b) Sending an Action Alert to your members asking them to contact their legislators.
  - c) Meeting with a member of Congress about a specific piece of legislation supported by your association.
  - d) Responding to a Congressional subpoena to testify.
  
4. Your Board has a core group of leaders who direct the operations of the organization without the full support of the Board. Which of the following would be the best short-term solution to create an appropriate structural relationship?
  - a) There is no problem with the structure.
  - b) The CSE should raise concerns with the executive committee.
  - c) The CSE should negotiate an agreement defining authority for operational issues.
  - d) Conduct an orientation session for Board members outlining the appropriate role for the board.
  
5. A major legislative issue has sprung up for the Western Little Peoples' Association. However, the WLPA does not have an established governmental relations program or a budget for a legislative initiative. The best solution for the WLPA would be:
  - a) Hire a lobbyist on staff.
  - b) Hire a multi-client lobbyist.
  - c) Collaborate with a legislatively strong, related organization that will also be impacted by the legislative situation.
  - d) Do nothing.

6. The most appropriate role of the Board is to:
  - a) focus on the future.
  - b) demonstrate a helpful interest to staff.
  - c) represent the industry.
  - d) oversee operations.
  
7. Your Chief Elected Officer has asked you to create an employee grievance procedural policy that establishes the Board as a “Court of Appeals” in personnel decisions. This is:
  - a.) Legal and good for the association.
  - b.) Legal but detrimental to the association.
  - c.) Illegal, but otherwise good for the association.
  - d.) Illegal and detrimental to the association.
  
8. A Board member is arrested for embezzlement from his company. As CSE of a large national association, you should:
  - a) Publish a story in the association bulletin about the situation.
  - b) Ask him to resign from the Board.
  - c) Keep the incident under wraps from the general membership, but inform the Board as soon as possible.
  - d) Wait for conviction before any public acknowledgment of the situation comes from the association.
  
9. You’re the CSE of a 501(c)6 industrial trade association. Joe Jones, president of JJ Company, the industry’s largest manufacturer, has been a member for ten years. Recently the association welcomed as a new member, Ann Marie Baker, Jones’ chief competitor. Upon reading of Baker’s membership, Jones wrote a letter of resignation. After several attempts to convince Jones to change his mind, he tells you to cancel his membership. What should you do?
  - a) accept Jones’ resignation.
  - b) refund Jones’ dues.
  - c) ignore Jones’ resignation.
  - d) cancel Baker’s membership.
  
10. You are the CSE at a state association representing restaurants. The local media calls seeking comment on information that three of your member restaurants are responsible for a food poisoning epidemic that has resulted in 24 deaths over a 3-month period. What do you do first?
  - a) Refer the call to the manager of the restaurant responsible for the fewest deaths.
  - b) Respond “no comment.”
  - c) Ask your communications director to handle the call.
  - d) Notify the first person in the chain of command in the association’s crisis communications plan.

11. You are the new CSE for a professional association. The organization is about four years old. Since the beginning, the same individual has served as the treasurer, closely guarding the funds that have accumulated in a steady pattern. The incoming CEO believes the association can progress much more quickly if the group would do a strategic plan, but the treasurer refuses to release any funds for the project to be done with a professional facilitator. The conflict is becoming fierce at executive committee and board meetings. You should:
- Mediate a discussion between these two volunteers.
  - Suggest that the out-going CEO take a stand.
  - Recommend the group form a strategic planning committee, chaired by the CEO elect, to be approved by the Board.
  - Refer the issue to the bylaws committee to recommend term limitations for executive officers.
12. True marketing is a comprehensive process. Which of the following is the first step in following proper sequence for marketing a new product or service?
- Identify clear market segments.
  - Identify specific customer needs.
  - Create a marketing plan.
  - Create your product/service.
13. Depreciation of capital assets is included
- in the capital budget.
  - in the operating budget.
  - in the cash budget.
  - along with the expenditures for capital assets.
14. The current ratio:
- measures your ability to meet short-term obligations.
  - measures your cash flow.
  - measures your debt load.
  - measures your accounts receivables.
15. Which of the following statements is true about employment discrimination?
- An association has no liability when volunteers make sexual advances to association staff
  - The Civil Rights Act of 1964 prohibits discrimination in all aspects of employment relationships, protecting white individuals as well as racial minorities.
  - Religious discrimination laws apply only to those who practice traditional religions.
  - Under ADA, the cost to reasonably accommodate a protected individual may be charged back to the individual.
16. As the CSE, you are preparing a strategic marketing plan. You should:
- Create the plan to meet the projected budget goals previously approved by the Board.
  - Create the plan, then present it to staff for departmental implementation.
  - Use past financial data and increase income and expenses across the board, by a specific percentage, based on trends experienced.
  - Orchestrate the plan development.

17. A report of net assets that includes three classes of dues: unrestricted, temporarily restricted, and permanently restricted will be found in which of the following documents?
- SFAS #116 &/or 117.
  - Statement of financial position.
  - Statement of Activity.
  - IRS Form 990.
18. Your board has approved your proposed budget to upgrade your computer hardware and software. At this point in the process you should have already completed the following steps, EXCEPT:
- Constructed a request for a proposal from vendors.
  - Identified current and future needs for the system.
  - Committed to a vendor with whom you will do business.
  - Identified the necessary hardware and software to meet the needs of the association.
19. Which of the following would be considered the most common objective of an organization's compensation program?
- Ensuring internal equity and external competitiveness.
  - Paying at the median or 50<sup>th</sup> percentile rate of pay to all employees.
  - Ensuring an association provides equal pay for equal work.
  - Competitive base and highly leveraged incentives.
20. Which of the following is an advantage to organizing as a 501(c)6 organization?
- Nonprofit status only exempts payment of federal income tax and has no bearing on other taxes, i.e. property tax or sales tax.
  - Tax-exempt status entitles the organization to a threshold deduction with regard to unrelated business income.
  - Guarantees the accumulation of income, all of which is tax-free.
  - Only dues income is tax-free. All other income is tax-exempt.
21. Associate member dues may be considered as advertising income if:
- the associate member does not participate in the governance of the association.
  - the associate member does not participate fully in the range of activities of the association.
  - if the associate member gets a special listing in the membership directory.
  - if the association has no supporting documentation that states the broad role of the associate member.
22. To determine if a program is truly profitable:
- a program budget must show lump sums spent on an individual program.
  - a program budget must compare last year's results to the current year.
  - a functional budget should be analyzed.
  - a program budget must fully allocate its costs.

23. Your association seeks corporate sponsorships for your annual convention and trade show. Under federal law, corporate sponsorship payments are:
- a) excluded from UBIT.
  - b) considered UBIT because the convention is “regularly carried out.”
  - c) only considered UBIT if a for-profit subsidiary of the association hosts the convention.
  - d) considered donated merchandise and not subject to UBIT.
24. Federal tax law says that passive income from a “controlled” subsidiary is subject to UBIT. What percent of the subsidiary must be owned by the parent to meet the control test?
- a) 80%
  - b) 50%
  - c) 75%
  - d) none, as long as there are common officers of both the parent and subsidiary.
25. At the heart of the Small Business Education Foundation fund raising effort is a program that relies, not on big gifts, but a program that produces dependable, adequate income. This program is designed to acquire new donors, renew current donors, and facilitate increased donor interest. This type of program is known as:
- a) Planned giving
  - b) An annual fund
  - c) An endowment
  - d) A capital campaign

Answers are listed on page 131.

## Answer Key: Pre-test

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