

Abbreviated CAE Practice Exam

1. An association has paid a deposit for an event to be held in the next fiscal year. How would this be classified on the statement of financial position?
 - A. Credit
 - B. Current asset
 - C. Current liability
 - D. Long-term debt

2. The type of insurance which provides financial resources to the association after the death of a chief staff executive is:
 - A. life insurance
 - B. directors and officers liability insurance
 - C. general liability insurance
 - D. key person insurance

3. The membership director of a national organization is seeking a local chapter's support to conduct a joint membership campaign. Most of the local members do not join the national organization. The most popular service of the local chapter is its technical expertise on the local regulatory environment. Which of the following should the marketing cover letter emphasize to encourage membership in the national organization?
 - A. The national organization's record on legislative issues
 - B. Regional seminars and workshops on critical business issues
 - C. The member-only online database of national regulatory trends and information
 - D. Opportunities to volunteer for national leadership positions

4. An association's board has passed a motion to expend the equivalent of 20 percent of the association's annual operating budget to fund a new initiative in the next fiscal year. There are only nominal funds in reserve. Which of the following is the best course of action for the chief staff executive to take?
 - A. Work with the finance committee to amend next year's operations budget.
 - B. Work with the board to identify funding sources.
 - C. Recommend that the board authorize a dues increase.
 - D. Direct staff to formulate strategies to use new programs to generate funds.

5. An association has decided to change its brand identity. The first step is to ask which of the following fundamental questions?
 - A. What benefits do our products and services currently provide?
 - B. What products and services are not yet being provided to our members?
 - C. What business is our association in?
 - D. How do our competitors please their members?

6. What percentage of an annual budget may a 501(c)(6) organization spend on lobbying activities?
 - A. 50%
 - B. 75%
 - C. 90%
 - D. 100%

7. What element of an investment policy is most critical to determining its success?
- A. Amount of capital available to invest
 - B. Level of risk
 - C. Diversity of investment vehicles
 - D. Measurable financial goals
8. Which types of budgets are most commonly used by associations for financial planning and reporting?
- A. Operating, capital, and cash
 - B. Capital expenditures and depreciation expense
 - C. Balance sheet and statement of activity
 - D. Incremental and zero-based
9. Member participation in the election of board members has been gradually declining. Which of the following is the most appropriate approach in determining the cause of this decline?
- A. Analyze the attributes of existing board candidates to discern member appeal.
 - B. Investigate new voting technologies to find ways of making voting easier.
 - C. Survey members to ascertain reasons for voting or not voting.
 - D. Evaluate pre-election communication with members regarding the candidates.
10. Using accrual accounting, when and how should a not-for-profit membership organization report dues payments received prior to the beginning of the fiscal year to which they apply?
- A. After the beginning of the fiscal year, as dues revenue on the statement of activities
 - B. Immediately, as dues revenue on the statement of activities
 - C. Immediately, as current assets/accounts receivable on the statement of financial position
 - D. Immediately, as current liabilities/deferred revenue on the statement of financial position
11. An association with several subsidiary corporations decides to create another subsidiary. Monitoring the activity of the subsidiaries has significantly expanded the length of board meetings. What governance solution for the new subsidiary should the chief staff executive recommend?
- A. An independent board should be formed to govern all subsidiaries.
 - B. The executive staff should serve as the board of the new subsidiary.
 - C. Management of the new subsidiary should be outsourced to an association management company.
 - D. All subsidiaries should adopt the same bylaws.
12. After an environmental scan, a national trade association determines that the only sector of the industry that is growing is also represented by a competing national trade organization. Discussions take place between the two organizations about a potential merger. Which of the following is the next step in the process?
- A. Both organizations' members should be surveyed to determine their opinions about a merger/consolidation.
 - B. Both organizations' members should meet jointly to develop a shared vision of a new, combined organization.
 - C. Both organizations should engage legal counsel to conduct a due diligence review of the other organization.
 - D. Both boards should agree on the process required to determine whether or not to merge/consolidate.

13. In examining next year's budget, the finance committee determines that dues revenue will be reduced by 10 percent. The committee charges the chief staff executive with identifying the best option for replacing this income. What is the best approach to meet immediate needs?
- A. Negotiate a joint venture or partnership with a larger association.
 - B. Brainstorm new promising nondues income streams.
 - C. Expand the current strongest nondues revenue source.
 - D. Expand grant proposal activities.
14. A member of an association's board is politically powerful and continues to champion a program that has lost money for the past three years. What should the chief staff executive do about continuing the program?
- A. Work with the staff to make the program profitable.
 - B. Have the membership vote on continuing the program.
 - C. Recommend that the board vote on continuing the program.
 - D. Provide the board with the financial impact of continuing the program.
15. Which of the following best describes binding arbitration?
- A. The third party makes a decision for the involved parties regarding the contested issues.
 - B. The third party makes two mutually acceptable recommendations for the contested issues.
 - C. The involved parties reach a mutually acceptable settlement with the use of a third party.
 - D. The involved parties negotiate a mutually acceptable settlement under the oversight of a third party.
16. A chief staff executive (CSE) is trying to develop a high-performing board. The best way to facilitate this is to
- A. help the board focus on policies, operating plans, and budget
 - B. solicit the board's input on key growth areas, programs, services, members, and revenues
 - C. help the board focus on its vision for the future, long-term direction, and strategic targets
 - D. encourage the board chair to work with the CSE to create a new vision statement
17. A board member of a medical association is asked to serve on the advisory board of a new organization that is developing a certification program which will be a competitor of the one the medical association administers. What should the board member do?
- A. Choose to be a member of one board.
 - B. Serve on both boards but disclose the conflict of interest.
 - C. Serve on both boards and do not disclose the conflict of interest.
 - D. Choose not to serve on either board.
18. Which of the following responsibilities should be performed by the chief staff executive?
- A. Hiring in-house counsel
 - B. Selecting the association's auditor
 - C. Establishing a board attendance policy
 - D. Selecting committee chairs
19. How can the chief staff executive best ensure staff's commitment to the association's mission?
- A. Include the mission in staff job descriptions
 - B. Display the mission in a public area

- C. Brainstorm expectations during staff retreats
 - D. Require staff to incorporate the mission in their goals
20. While negotiating a vendor contract, progress stalls. In considering a next move, the chief staff executive must be prepared to
- A. make an undesirable concession to jumpstart negotiations
 - B. walk away from the table
 - C. involve a third party for mediation
 - D. offer a counter proposal
21. While discussing overall job performance with a long-term employee, the chief staff executive learns that the employee has not embraced the association's upcoming internal reorganization. The employee's continued employment with the association will be best achieved by
- A. sending the employee to a strategic planning workshop
 - B. giving the employee a specific period of time in which to adapt to the new structure
 - C. involving the employee in the reorganization implementation process through a staff team
 - D. modifying the new structure to be more accommodating to the employee's needs
22. To what individuals or entities does an association bear responsibility with regard to professional and industry practices?
- A. Members only
 - B. The public only
 - C. Both members and the public
 - D. The profession or industry it represents
23. The board chair would like to move to web conferencing for executive committee meetings, but two of the four executive committee members do not agree. What is the next step for the chief staff executive?
- A. Take no action until a unanimous decision is reached by the executive committee.
 - B. Discuss hardware and software options with knowledgeable staff.
 - C. Conduct an analysis of costs and communication benefits of web conferencing.
 - D. Examine the association's long-range budget projections for technology.
24. An association's chief staff executive (CSE) serves on the board of a for-profit company. The CSE recommends that the two organizations partner on a project. Such an arrangement is best described as
- A. a common and acceptable practice
 - B. an effective business practice
 - C. a potential conflict of interest
 - D. an illegal activity
25. Which of the following is the best way to foster a culture of diversity?
- A. Elect a board that reflects the level of diversity in the membership.
 - B. Position diversity as a fundamental business principle.
 - C. Keep abreast of industry trends and demographics.
 - D. Hire a diverse staff that is reflective of the association's geographic location.

Appendix D: Practice Exam Answer Key

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