M-100 Review Questions

CH. 1 FOCUS QUESTIONS

1. Each of the following are key characteristics of community associations EXCEPT:
   a. Mandatory lien-based economic charges or assessments are levied on each owner in order to operate and maintain the community association.
   b. Membership in the community association is mandatory and automatic for all owners.
   c. A requirement of community association ownership is serving on the board of directors.
   d. Certain documents bind all owners to be governed by the community association.

2. True or False. The primary purpose of a community association is to provide for the governance, business, and communal aspects of the association.

3. Each of the following are basic types of residential community associations EXCEPT:
   a. Planned community
   b. Townhouse
   c. Cooperative
   d. Condominium

4. Adoption of the annual budget is an example of which of the following type of resolution?
   a. policy resolution
   b. administrative resolution
   c. special resolution
   d. general resolution

5. True or false. The purpose of a community association’s governing documents is to provide for the legal structure and operation of the community.

6. True or false. According to the general hierarchy of authority for governing documents, the bylaws would control in a conflict with the recorded map, plat, or plan.

7. Complete the following sentence: A __________ state statute is one that applies only to one or more types of community associations.
   a. general
   b. complex
   c. specific
   d. uniform

8. True or false. A proprietary lease or occupancy agreement in a cooperative defines the member or stockholder’s rights and obligations in relation to the living unit.
9. Complete the following sentence: The __________bring the community association into existence, define its basic purposes and powers, and indicate whether stock will be issued.
   a. recorded map, plat, or plan
   b. declaration, CC&Rs, or master deed
   c. proprietary lease or occupancy agreement
   d. articles of incorporation

10. True or False. The public offering statement is a governing document, as it often distributed along with the governing documents.
1. Each of the following legal sources specify management authority and responsibilities for community associations EXCEPT:
   a. survey data
   b. state statutes
   c. community association governing documents
   d. court decisions

2. True or false. The basic authority in a community association lies with the developer.

3. Complete the following sentence: The board of directors in a community association has a ____________ to act in the best interests and for the benefit of the community as a whole.
   a. bond
   b. fiduciary duty
   c. ballot
   d. quorum

4. True or false. The “business judgment rule” means that if a board has exercised reasonable business judgment in making a decision, the court will generally not consider the board negligent in its fiduciary duty.

5. Which of the following community association committees typically are assigned responsibilities related to elections, nominations, and architectural standards?
   a. standing committees
   b. professional committees
   c. ad hoc committees
   d. mandatory committees

6. True or false. The role of the professional community association manager is to make all decisions for the association and to delegate information-gathering and fact-finding support to the board of directors.

7. In which of the following forms of community association management is the association managed by the board itself or by committees under the direction of the board?
   a. management company
   b. volunteer or self-management
   c. association-employed manager
   d. municipal management

8. True or false. An increase in assessment delinquencies that is not due to a poor economy may be an example of a warning sign of a weak management situation.

9. Complete the following sentence: A ________________ is a statement of goals and
objectives approved by the board that includes the yearly cycle of tasks that management should perform on the community association’s behalf.
   a. management audit
   b. management contract
   c. management plan
   d. employment agreement

10. True or false. It is ethically acceptable for a professional community association manager to arrange for a kickback for giving a contractor an association contract.
CH. 3 FOCUS QUESTIONS

1. Reasons for establishing community rules and architectural guidelines include each of the following EXCEPT:
   a. There is the need to create a sense of fairness and equity among residents.
   b. In contemporary society, people are more likely to question and challenge authority.
   c. In cases where rules have been poorly developed or enforced, the courts are ruling against community associations.
   d. Fines imposed on residents who break community rules are frequently the primary source of association income.

2. True or false. According to the general hierarchy of authority for operating community associations, rules and regulations take precedence over the articles of incorporation.

3. Which of the following is an example of an architectural guideline?
   a. pets
   b. noise
   c. fencing
   d. parking

4. Each of the following are benefits to using the resolution process to adopt rules EXCEPT:
   a. Provides an oral record of all rules made
   b. Protects owners from arbitrary board actions
   c. Protects the community from charges that could result in inoperable rules
   d. Provides for consistency in making and wording rules

5. Each of the following are sections of a resolution EXCEPT:
   a. Authority
   b. Purpose
   c. Scope and Intent
   d. Self help

6. True or false. Governing documents are one of the most important sources of a community’s authority to make and enforce rules.

7. Which of the following is not one of the basic steps in a due process procedure?
   a. Issue a “cease and desist” letter
   b. Issue a hearing notice if the violation does not end within the stated time
   c. Hold the scheduled hearing if the violation does not end within the stated time
   d. Issue a decision before a hearing is held

8. True or false. Using alternative dispute resolution to encourage residents to comply
with rules and guidelines is more costly and time consuming than going through the court system.

9. Which of the following is an internal resource a community can use to encourage an owner or tenant to conform to community association rules?
   a. Relying on the local health department to determine the appropriate number of occupants in a unit
   b. Asking for the local zoning department’s help in removing vehicles, boats, and trailers from lots and common areas
   c. Having the police enforce traffic regulations
   d. Suspending an owner’s voting rights

10. True or false. To increase the likelihood that a court of law will uphold an association’s enforcement of architectural guidelines, the board of directors should turn a blind eye towards violations and permit unapproved architectural changes to exist.
CH. 4 FOCUS QUESTIONS

1. Which of the following responsibilities relate to the governance function of a community association board of directors?
   a. Decide issues of policy for the owners in the community
   b. Promote harmony through service programs and regular communication with owners
   c. Monitor financial matters for the purpose of preserving and enhancing the community
   d. Hear appeals of committee and management decisions that are protested by groups of owners

2. Complete the following sentence: A notice of meeting should be sent in writing to board members at least _________ before a meeting.
   a. a year
   b. 2 days
   c. 3 months
   d. a week

3. True or false. An agenda is more than an announcement of the order of business for a meeting; it is a meeting management tool.

4. In addition to a meeting agenda, board members should receive each of the following supporting materials prior to a meeting EXCEPT:
   a. Minutes from the last meeting
   b. Financial reports
   c. Community newsletter
   d. Committee reports

5. True or false. It is perfectly acceptable to hold a board meeting in the home of the association president.

6. Which of the following is not one of the basic principles of parliamentary procedure that apply to every meeting?
   a. Minority rule
   b. Justice
   c. Courtesy
   d. Protection of Rights

7. True or false. A board of directors can legally conduct the business of the association without a quorum.

8. Which of the following terms regarding the process of making a motion most closely fits this definition: “to change a motion by inserting, adding, striking out, striking out and inserting, or substituting words.”
a. Take a motion from the table
b. Second a motion
c. Amend a motion
d. Table a motion

9. True or false. Personnel issues are an example of a topic that often require an executive session and are allowable by law.

10. Complete the following sentence: A _______________ is a written means of voting when secrecy is desired.
    a. proxy
    b. residents forum
    c. action item list
    d. ballot
CH. 5 FOCUS QUESTIONS

1. True or false. Community managers are ultimately responsible for establishing, approving, and monitoring the community’s budget.

2. Which of the following board members is responsible for seeing to it that the draft budget is prepared and reviewed?
   a. Treasurer
   b. President
   c. Secretary
   d. Vice President

3. Each of the following agencies are federally established secondary mortgage institutions EXCEPT:
   a. Environmental Protection Agency
   b. Federal National Mortgage Association
   c. Veterans’ Administration
   d. Federal Home Loan Mortgage Corporation

4. True or false. The two main components of a community budget are revenue and expenses.

5. Which of the following is not a typical source of revenue for a community association?
   a. Owner assessments
   b. Major improvement expenses
   c. Penalty fees
   d. Interest

6. Each of the following are reasons for maintaining a replacement fund EXCEPT:
   a. Maintaining a replacement fund meets legal, fiduciary, and professional requirements
   b. Maintaining a replacement fund increases the likelihood that an association will require a special assessment
   c. Maintaining a replacement fund equalizes the contributions of old and new owners
   d. Maintaining a replacement fund enhances resale values

7. Which of the following is an example of a discretionary line item in a community budget?
   a. recreational expenses
   b. income taxes
   c. utilities
   d. maintenance
8. True or false. With historical trend budgeting, all line items are set to zero and the amount of funds allotted to each must be justified.

9. True or false. Board member liability is a potential consequence of not having a reserve study.

10. Complete the following sentence: Utilizing a(n) ___________________ means managers and boards can obtain proposals from competent reserve providers and make informed business decisions to responsibly fund their association’s reserves.
   
a. Community Insurance and Risk Management Specialist
   b. Association Management Specialist
   c. Professional Community Association Manager
   d. Reserve Specialist
1. Each of the following statements regarding community association assessments are true EXCEPT:
   a. Assessments penalize residents for violating association rules
   b. An assessment is the owner’s financial obligation to the community association during a given period of time
   c. An assessment for an owner’s share of the common expenses is a binding legal obligation based on the community association’s governing documents
   d. An annual assessment may be paid on a monthly, quarterly, or annual basis

2. Because a community association relies on the timely collection of assessments in order to meet operating expense requirements, delinquent payments may result in each of the following EXCEPT:
   a. Property beginning to appear run-down
   b. A budget surplus
   c. Disharmony between paying owners and delinquent ones
   d. Essential maintenance becoming unaffordable

3. True or false. An established collection policy educates owners about their obligations to the community association and the consequences of not meeting those obligations on time.

4. An effective collection policy should exhibit each of the following EXCEPT:
   a. Be established by a proper formal resolution of the board
   b. Prohibit the referral of delinquent assessments to legal counsel
   c. Set a firm due date for assessments
   d. Allow for discretion in special cases

5. True or false. Acceleration is the collection of all assessments due on a monthly basis.

6. Which of the following is not an extra-judicial procedure for encouraging an owner to pay off a delinquent account?
   a. Removing the owner’s assigned parking space
   b. Collecting the rent from a delinquent owner’s tenant
   c. Imposing a late charge on delinquent accounts
   d. Foreclosing on an owner

7. True or false. When a community association determines that a debt cannot be collected from an owner after a reasonable effort has been made, it must take a bad debt write-off.

8. Complete the following sentence: A __________ is a legal claim by one party (community association) on the property of another (delinquent owner) to obtain the payment of a debt or the satisfaction of an obligation.
a. foreclosure
b. personal money judgment
c. lien
d. bad debt write-off

9. True or false. When a community association forecloses on a unit and it is auctioned off, the association will always get the money it is owed.

10. Which of the following types of bankruptcy is called a reorganization because it is designed to allow for an orderly payment to creditors that enables a corporation to continue?
   a. Chapter 7
   b. Chapter 11
   c. Chapter 13
   d. Chapter 21
CH. 7 FOCUS QUESTIONS

1. Which of the following accounting methods records income when it is collected and expenses when they are paid?
   a. cash basis
   b. accrual basis
   c. modified cash basis
   d. modified accrual basis

2. True or false. The commercial reporting method consists of preparing separate columns for operating, reserve, and any special funds.

3. Complete the following sentence: A __________ occurs when expenses are greater than income.
   a. net income
   b. net loss
   c. net gain
   d. net profit

4. Which of the following is not one of the three major components of a balance sheet?
   a. Assets
   b. Liabilities
   c. Expenses
   d. Members’ Equity

5. True or false. A CPA’s representation letter describes the nature of the work to be done, the type of report to be prepared, the fee for services, the time frame for the assignment, and the accountant’s disclaimers.

6. Which of the following is a year-end financial statement that reconciles the beginning and ending members’ equity with results of operations for the period?
   a. balance sheet
   b. statement of changes in members’ equity
   c. statement of cash flows
   d. notes to financial statements

7. Complete the following sentence: A(n) ______________ is a presentation of financial statements by a CPA without the assurance that the information conforms to GAAP.
   a. compilation
   b. review
   c. audit
   d. opinion letter

8. True or false. Community associations must file a federal income tax return every
9. True or false. Requiring a single signature to withdraw funds from an investment account is a good example of a system of internal checks and balances to protect association investments.

10. Which of the following investment objectives for community associations refers to the ease with which an investment can be converted into cash or a cash equivalent?
   a. safety
   b. liquidity
   c. yield
   d. treasury bills
CH. 8 FOCUS QUESTIONS

1. Which of the following types of exposure to loss for a community association is characterized by net losses that may involve a reduction in income or an increase in operating expenses or both?
   a. property exposure to loss
   b. liability exposure to loss
   c. income exposure to loss
   d. personnel exposure to loss

2. Which of the following demonstrates the risk control technique of exposure avoidance?
   a. a community association rule prohibiting the use of alcohol in the clubhouse
   b. conducting weekly fire safety inspections where flammables are stored
   c. contracting for landscape services
   d. backing up all computer files and storing the backup files in a separate place

3. True or false. The insurance industry is unregulated at the state level.

4. True or false. The American Agency System is comprised of employees of a single insurance company who only place the insurance of that company, such as Allstate, Farmers, Nationwide, and State Farm.

5. Commercial package policies contain all of the following EXCEPT:
   a. common declarations
   b. a selection of forms
   c. claims made coverage
   d. glossaries

6. True or false. The Federal National Mortgage Association (FannieMae) has a direct impact on community association insurance obligations.

7. Which of the following is not a common insurance coverage and endorsement for property exposures to loss?
   a. commercial package policy (CPP) insurance
   b. boiler and machinery insurance
   c. flood insurance
   d. hired and non-owned automobile liability insurance

8. True or false. Employers’ liability insurance provides protection for claims made by injured employees, such as third-party-over actions and dual capacity actions.

9. Which terminology for the following homeowner policies is for a condominium or cooperative unit owner?
   a. HO-6
b. HO-4

c. HO-1

d. HO-1

10. True or false. The preservation of life and property are paramount concerns in any insurance contract.
CH. 9 FOCUS QUESTIONS

1. Complete the following sentence: For a community association, _____________ is the process of operating, maintaining, repairing, and replacing common property.
   a. preventative maintenance
   b. facilities management
   c. maintenance record
   d. scheduled replacement

2. True or false. One of the goals of maintenance for a community association is to limit injury to residents, guests, and employees.

3. Each of the following include steps in establishing a maintenance system for a community association EXCEPT:
   a. assign blame to staff not adequately fulfilling maintenance responsibilities
   b. develop maintenance management controls
   c. analyze your assets’ maintenance needs
   d. evaluate your maintenance system and efforts

4. Which of the following is not an example of a maintenance management control?
   a. work orders
   b. charts of information
   c. response forms
   d. public offering statements

5. True or false. The declaration or master deed often includes a maintenance schedule for particular assets.

6. Complete the following sentence: The typical management control used to identify physical assets and their maintenance needs is a(n) ____________.
   a. inspection report
   b. inspection checklist
   c. maintenance record
   d. inventory

7. To identify what maintenance must be done, managers should record the following information for every physical asset EXCEPT:
   a. preventive and emergency plans needed
   b. contact information for each board member
   c. description of the asset from a maintenance point of view
   d. what maintenance needs to be done

8. True or false. A management control used to keep track of who is responsible for the maintenance of various property elements or areas is the analysis sheet.
9. Cleaning problem sewer lines every month to avoid backups is an example of which of the following types of maintenance?
   a. emergency services maintenance
   b. requested or corrective maintenance
   c. routine maintenance
   d. preventive maintenance

10. True or false. Surveying residents is a common method community association managers use to evaluate their maintenance systems and implementation efforts.
CH. 10 FOCUS QUESTIONS

1. True or false. A contract is an agreement between two or more parties, enforceable by law, by which each party promises to do, or not to do, something.

2. When deciding whether to have staff members or a contractor perform a task, a manager should consider each of the following EXCEPT:
   a. supervision
   b. expertise
   c. number of people
   d. retirement plan contributions

3. True or false. When deciding whether to have staff members or a contractor perform a task, a manager should consider where tools, equipment, and supplies will be stored—and the liability involved.

4. A bid request or request for proposal (RFP) should include each of the following EXCEPT:
   a. vague instructions about the products or services requested
   b. a request for information about the contractor that will help the association evaluate the contractor’s ability
   c. information about the association that the contractor will need in order to prepare a bid
   d. information about work conditions

5. True or false. The bidding process and requests for proposals should be used primarily for smaller jobs or purchases of one-time services.

6. True or false. A good resource for identifying potential contractors are referrals from supply firms doing business with the community association.

7. Complete the following sentence: A ______________ is a promise or guarantee that parts, materials, or labor will last for a designated period of time.
   a. prospective bidder’s questionnaire
   b. warranty
   c. qualifications sheet
   d. waiver of lien

8. Which of the following contract provisions means that if the contractor’s employees, agents, or subcontractors damage any common or individual property in the community while performing contracted work, the contractor agrees to fully restore the property to its original condition?
   a. indemnification
   b. standard of performance
   c. restoration
d. compensation

9. Complete the following sentence: A ______________ is a guarantee by a surety (a third party) to protect the community association if the contractor fails to perform or finish the work.
   a. payment bond
   b. default
   c. performance bond
   d. waiver of lien

10. True or false. The manager should sign all contracts on behalf of the community association.
CH. 11 FOCUS QUESTIONS

1. Community association employees are obligated to do each of the following EXCEPT:
   a. possess the skills needed to perform assigned tasks
   b. use reasonable care in performing assigned tasks in order to protect the community’s assets and interests
   c. complete assignments in conformity to performance standards within a reasonable time frame
   d. participate in the association’s health insurance program

2. True or false. If a community association has just one part-time employee, it doesn’t need a written personnel manual or employee handbook.

3. The federal government prohibits discrimination against otherwise qualified people for each of the following characteristics EXCEPT:
   a. religion
   b. gender
   c. skill
   d. race and ethnicity

4. True or false. Exhibiting and encouraging preferential treatment of employees is a great way to avoid employee claims of discrimination.

5. True or false. A community association employee who supervises other staff members is automatically classified as salaried (or exempt).

6. Which of the following federal laws regulate working conditions, specialized training, safety equipment, the posting of warnings related to products and work site conditions, and the reporting of accidents?
   a. Fair Labor Standards Act
   b. Occupational Safety and Health Act
   c. Federal Insurance Contributions Act
   d. Child labor laws

7. True or false. Employees are finished with training after they receive their initial training for a job.

8. Complete the following sentence: Performance ____________ are those regular and special tasks management expects an employee to perform during a certain time period.
   a. evaluation
   b. goals
   c. planning
   d. standards
9. True or false. It’s generally a good idea to schedule a performance evaluation meeting with an employee in a public place.

10. A community association is within its legal rights to dismiss an employee without cause or progressive discipline for which of the following reasons?
   a. substance abuse on the job
   b. inadequate work performance
   c. insubordination
   d. sexual harassment