

Sample Exam Questions

Core Unit 1b – Foundation in International Employee Benefits

Instructions:

- This is only a sample paper and therefore consists of 30 multiple-choice questions.
 - Choose the correct answer from the options (A, B, C, or D).
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1. Which of the following is NOT a fundamental difference between compensation and employee benefits?

- o A) Salary is immediate and payable in cash.
- o B) Employee benefits tend to be tax effective.
- o C) Bonuses cannot be removed or reduced when finances are less healthy.
- o D) Salaries are easier to compare than employee benefits.

2. Which of the following is considered an employee benefit?

- o A) Annual bonuses
- o B) Salaries
- o C) Provision of medical services
- o D) Overtime pay

3. Employee benefits are provided for various reasons. Which of the following is NOT one of these reasons?

- o A) To attract key employees
- o B) To provide additional salary
- o C) To reward employees for long service
- o D) To facilitate manpower planning

4. Which of the following is a factor influencing the choice and level of employee benefits provision?

- o A) Employee benefits always have a fixed cost.
- o B) Benefits are never tax-effective.
- o C) Benefits can be an effective retention tool.
- o D) Employee benefits are the same for every employee.

5. Which type of employee benefit is dependent on an event?

- o A) Annual salary
- o B) Life insurance
- o C) Cash bonuses
- o D) Overtime pay

6. What is a key driver of voluntary employee benefit provision?

- o A) Legal requirement
- o B) Competition
- o C) Tax incentives
- o D) Reputational reasons

7. Why might a company provide benefits due to 'legacy' reasons?

- o A) To comply with legal requirements
- o B) To attract new talent in the market
- o C) Because of a historical culture of benefit provision
- o D) Due to tax incentives

8. What factor might cause a company to continue providing benefits even if the company culture has changed?

- o A) Competition
- o B) Legal requirement
- o C) Tax incentives
- o D) Paternalistic or 'legacy' reasons

9. How do tax incentives make it cheaper to provide additional benefits rather than additional salary?

- o A) By reducing the cost of employee contributions to benefits
- o B) By offering special treatment for investment income
- o C) By making benefit payments tax-free
- o D) All of the above

10. What might be a reputational reason for a company to provide employee benefits?

- o A) To comply with legal requirements
- o B) To maintain a competitive edge
- o C) To avoid moral pressure in case of an employee's death
- o D) To benefit from tax incentives

11. What is the fundamental difference between Defined Benefit (DB) and Defined Contribution (DC) retirement plans?

- o A) DB plans provide benefits based on investment performance, while DC plans offer pre-determined benefits.
- o B) DB plans offer a guaranteed level of benefit at retirement, while DC plans depend on contributions and investment return.
- o C) DB plans are determined by the length of service, while DC plans are determined by the salary at retirement.
- o D) DB plans include a simple lump sum benefits, while DC plans provide monthly benefits only.

12. What factors influence the design of Defined Benefit (DB) plans?

- o A) The length of service and employee preferences
- o B) Employee expectations, taxation, regulation, competition, and other benefit provisions
- o C) The level of contributions and the stock market performance
- o D) The company's overall financial health and the employee's salary

13. What led to DB plans targeting a benefit level of 60% to 70% of the working partner's final salary?

- o A) The high cost of living in retirement
- o B) The assumption that employees would have multiple employers
- o C) The belief that a married couple required a certain percentage of final salary to maintain their standard of living
- o D) The need to integrate with Social Security benefits

14. What is the key difference between Defined Benefit (DB) plans and Defined Contribution (DC) plans?

- o A) DB plans guarantee a specific benefit amount at retirement, while DC plans do not have guaranteed benefit levels.
- o B) DC plans offer higher employer contributions for older employees, while DB plans do not.
- o C) DB plans provide lump sums at retirement, while DC plans always provide lifetime pensions.
- o D) DC plans are risk-free, while DB plans involve significant financial risks for the employer.

15. Why might some defined contribution plans have an age-related scale of contributions?

- o A) Older employees typically buy less pension with contributions paid nearer to retirement.
- o B) Younger employees have a higher rate of investment returns.
- o C) Employer contributions must be matched by employee contributions.
- o D) Older employees are prohibited from choosing their investments.

16. Which type of pension plan involves a guarantee that the account balance will never decrease or will at least have a minimum annual return?

- o A) Defined Contribution Plan
- o B) Defined Benefit Plan
- o C) Hybrid Plan
- o D) Cash Balance Plan

17. What is a key reason for the shift towards Defined Contribution plans in the last 20 to 30 years?

- o A) To increase financial risks for companies
- o B) To accommodate employees who remain with one employer for long periods
- o C) To reduce financial risks and comply with international accounting standards
- o D) To provide more generous benefits

18. What is a primary measure of risk control for disability benefits?

- o A) Encouragement to get employees back to work
- o B) Screening of employees' health
- o C) Checks on fraud
- o D) Ensuring coverage of employees at all times

19. Which of the following is a key management issue related to medical benefit management?

- o A) Choice of insurer
- o B) Coordination with the insurer for coverage
- o C) Control of rapidly increasing costs
- o D) Promoting 'wellness' measures

20. Which of the following is an advantage of a Group Registered Retirement Savings Plan (GRRSP) in Canada?

- o A) Contributions are tax-deductible for the employer.
- o B) The employer is required to make contributions.
- o C) Pre-tax contributions via payroll deduction.
- o D) Investment earnings on after-tax contributions are subject to income tax.

21. Which of the following is a feature of the EMI (Enterprise Management Incentive Options)?

- o A) The value of unexercised EMI options granted by the company must not exceed GBP 150,000 per employee in a 3-year period.
- o B) The company's gross assets must not be more than GBP 50 million.
- o C) The value of unexercised EMI options granted by the company must not exceed GBP 250,000 per employee in a 3-year period.
- o D) EMI options can only be exercised within 2 years of grant.

22. Which of the following benefits is aimed at promoting employee health and reducing stress?

- o A) Mobility allowances such as public transport tickets and car sharing subsidies.
- o B) Flexible working hours and paid leave for life events.
- o C) Health and wellness benefits such as subsidized gym membership and health check-ups.
- o D) Training and development allowances for professional growth.

23. Which of the following is a key responsibility of the international benefits manager?

- o A) Ensuring corporate investment compliance with local legal restrictions
- o B) Managing local benefit plans without corporate oversight
- o C) Appointing local benefit managers without corporate guidelines
- o D) Ignoring regulatory changes in local offices

24. Which of the following is an objective of the finance function regarding benefit plans?

- o A) Ensuring that all employees receive equal benefit plans
- o B) Managing local benefit plans without corporate oversight
- o C) Controlling current and future benefit plan costs and liabilities
- o D) Ignoring regulatory changes in local offices

25. Which of the following is a primary measure to reduce and mitigate retained risk within an organization?

- o A) Purchasing insurance to transfer risk
- o B) Pre-employee screening for medical examinations
- o C) Utilizing a multinational risk benefits pooling arrangement
- o D) Encouraging return to work for disability cases

26. What is a primary responsibility of the trustees of a pension plan?

- o A) Preferring the interests of active employees over pensioners
- o B) Administering the plan in the best interest of the beneficiaries
- o C) Ignoring the financial position of the plan
- o D) Investing pension plan assets without any professional advice

27. Which of the following roles is primarily responsible for safeguarding the assets of a pension plan by preventing unauthorized access?

- o A) Investment Managers
- o B) Trustees or Management Board
- o C) Pension Plan Administrators
- o D) Custodians

28. Which of the following statements about the Turkish pension system is true?

- o A) The minimum monthly pension is at least 50% of the minimum monthly wage.
- o B) Employer contributions to private pension plans are capped at 15% of the employee's salary or annual minimum wage, whichever is higher.
- o C) Employees can only access retirement benefits at age 65.
- o D) The Turkish government matches 25% of employee contributions up to the annual minimum wage.

29. Which of the following powers does the European Parliament hold according to the EU legislative process?

- o A) Initiating EU legislation and running the day-to-day operations of the EU.
- o B) Appointing the Commissioners for the European Commission.
- o C) Approving and adopting Directives and Regulations to bring them into force.
- o D) Reviewing proposed legislation, recommending amendments, approving budgets, and dismissing the Commission through a vote of censure.

30. Which of the following bodies is responsible for supervising insurers and occupational pension funds across the EU to achieve supervisory convergence?

- o A) Employment, Social Affairs & Inclusion Directorate
- o B) Court of Justice of the European Union (ECJ)
- o C) European Insurance and Occupational Pensions Authority (EIOPA)
- o D) Justice and Consumers Directorate

ANSWER KEY

1. Which of the following is NOT a fundamental difference between compensation and employee benefits?

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- o D) Salaries are easier to compare than employee benefits.

****Answer: C****

2. Which of the following is considered an employee benefit?

- o A) Annual bonuses
- o B) Salaries
- o C) Provision of medical services
- o D) Overtime pay

****Answer: C****

3. Employee benefits are provided for various reasons. Which of the following is NOT one of these reasons?

- o A) To attract key employees
- o B) To provide additional salary
- o C) To reward employees for long service
- o D) To facilitate manpower planning

****Answer: B****

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- o A) Employee benefits always have a fixed cost.
- o B) Benefits are never tax-effective.
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****Answer: C****

5. Which type of employee benefit is dependent on an event?

- o A) Annual salary
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- o C) Cash bonuses
- o D) Overtime pay

****Answer: B****

6. What is a key driver of voluntary employee benefit provision?

- o A) Legal requirement
- o B) Competition
- o C) Tax incentives
- o D) Reputational reasons

****Answer: C****

7. Why might a company provide benefits due to 'legacy' reasons?

- o A) To comply with legal requirements
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****Answer: C****

8. What factor might cause a company to continue providing benefits even if the company culture has changed?

- o A) Competition
- o B) Legal requirement
- o C) Tax incentives
- o D) Paternalistic or 'legacy' reasons

****Answer: D****

9. How do tax incentives make it cheaper to provide additional benefits rather than additional salary?

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- o D) All of the above

****Answer: D****

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****Answer: C****

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****Answer: B****

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****Answer: B****

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****Answer: C****

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****Answer: A****

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****Answer: A****

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****Answer: D****

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****Answer: C****

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****Answer: B****

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****Answer: C****

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****Answer: C****