

## Sample Exam Questions

### **Core Unit 1b – Foundation in International Employee Benefits**

#### **Instructions:**

- This is only a sample paper and therefore consists of 40 multiple-choice questions.
  - This provides an indication of the typical mix and style of questions across the exam paper. **Please note, this is only a guide and therefore the actual balance of questions in the live exam paper may vary.**
  - 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?**

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

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

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

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

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

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

- A) Employee benefits always have a fixed cost.
- 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?**

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

**31. An International Benefits Manager is responsible for managing a range of risks related to employee benefit provision. Which of the following risks would typically fall outside their scope?**

- A) Currency risk
- B) Economic and investment risk
- C) Reputational risk
- D) Environmental risk

**32. What is the primary objective of the risk function in relation to employee benefits within an organisation?**

- A) To manage both employee-related and benefit payment risks
- B) To maximise profits and identify operational efficiencies
- C) To assess productivity across different departments
- D) To arrange indemnity insurance to protect against legal claims

**33. Portugal operates a contributory State pension system based on an insurance model. What does this mean for how pensions are calculated?**

- A) It is earnings-related, and the more you contribute, the higher the pension with no upper limit
- B) It is earnings-related, but pensions are capped based on minimum and maximum earnings
- C) It is a flat-rate system where everyone receives the same pension, based only on years of contributions
- D) It is a flat-rate system based solely on earnings

**34. In which country are employers with more than 50 employees required to pay one additional month's salary per year as a termination indemnity, either into a pension fund or directly to the Social Security authorities?**

- A) Greece
- B) USA
- C) Italy
- D) Republic of Ireland

**35. International Benefits Managers must work closely with key internal stakeholders to manage benefit plans effectively. Which of the following would typically be one of these stakeholders?**

- A) International benefits managers from other organisations
- B) The finance function, including the Chief Financial Officer (CFO)
- C) Private medical insurers
- D) Hospitality and travel providers

**36. What is a key benefit of a Group Registered Retirement Savings Plan (GRRSP) for Canadian employees?**

- A) A GRRSP allows employees to purchase employer shares at a 20% discount after a savings period.
- B) A GRRSP offers pre-tax contributions via payroll deduction, favorable investment fees, and lower investment minimums.
- C) A GRRSP provides tax-free withdrawals for all purposes after a five-year holding period.
- D) A GRRSP mandates employer contributions that are exempt from all taxes and social charges.

**37. How do accounting standards influence the funding of retirement benefits?**

- A) They allow companies to exclude pension liabilities from financial statements.
- B) They encourage companies to fund pensions solely through employee contributions.
- C) They mandate that the cost of pensions be charged against profits as the liability accrues.
- D) They require companies to defer pension costs until employees retire.

**38. Which of the following is one of the qualification criteria for automatic membership in the Economic and Monetary Union (EMU)?**

- A) The national debt should not exceed 50% of annual national income
- B) The national debt should not exceed 60% of annual national income
- C) The national debt should not exceed 90% of annual national income
- D) The national debt should not exceed 103% of annual national income

**39. Defined Contribution (DC) pension plans have become increasingly common across Europe. However, which country did not permit Defined Contribution (DC) pension plans until 2007?**

- A) Denmark
- B) Norway
- C) Sweden
- D) Finland

**40. Which of the following types of pension arrangements is explicitly excluded from the scope of the IORP Directive?**

- A) Cross-border occupational pension schemes
- B) Defined Contribution pension plans
- C) Pension arrangements covered under EU Directive 1408/71
- D) Funded Defined Benefit schemes

## ANSWER KEY

1. \*\*Answer: C\*\*
2. \*\*Answer: C\*\*
3. \*\*Answer: B\*\*
4. \*\*Answer: C\*\*
5. \*\*Answer: B\*\*
6. \*\*Answer: C\*\*
7. \*\*Answer: C\*\*
8. \*\*Answer: D\*\*
9. \*\*Answer: D\*\*
10. \*\*Answer: C\*\*
11. \*\*Answer: B\*\*
12. \*\*Answer: B\*\*
13. \*\*Answer: C\*\*
14. \*\*Answer: A\*\*
15. \*\*Answer: A\*\*
16. \*\*Answer: D\*\*
17. \*\*Answer: C\*\*
18. \*\*Answer: B\*\*
19. \*\*Answer: C\*\*
20. \*\*Answer: C\*\*
21. \*\*Answer: C\*\*
22. \*\*Answer: C\*\*
23. \*\*Answer: A\*\*
24. \*\*Answer: C\*\*
25. \*\*Answer: B\*\*
26. \*\*Answer: B\*\*
27. \*\*Answer: D\*\*
28. \*\*Answer: D\*\*
29. \*\*Answer: D\*\*
30. \*\*Answer: C\*\*
31. \*\*Answer: D\*\*
32. \*\*Answer: A\*\*
33. \*\*Answer: A\*\*
34. \*\*Answer: C\*\*

**35.** \*\*Answer: C\*\*

**36.** \*\*Answer: B\*\*

**37.** \*\*Answer: C\*\*

**38.** \*\*Answer: B\*\*

**39.** \*\*Answer: B\*\*

**40.** \*\*Answer: C\*\*