

# Advanced Taxes M1, M2, M5, M6, M7, M9 Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## **7. Use Other Tools**

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## Questions

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- 1. What is a significant disadvantage of a Retro Plan?**
  - A. Less flexibility in plan design**
  - B. Guaranteed short-term liabilities**
  - C. Assumption of risk and potential future liabilities**
  - D. Increased employee compensation costs**
  
- 2. What does the term 'experience modification factor' relate to?**
  - A. The number of full-time employees in a company**
  - B. A ratio impacting the insurance premiums based on claims history**
  - C. The average salary of employees in an organization**
  - D. The duration of business operations in a given state**
  
- 3. Which program served as a model for workers' compensation in both Europe and the United States?**
  - A. Workers Benefits Program**
  - B. Workers Accident Insurance**
  - C. Employee Safety Initiative**
  - D. Occupational Risk Management Program**
  
- 4. What action characterizes employer fraud?**
  - A. Reporting accurate payroll data**
  - B. Lowering payroll to decrease premium payments**
  - C. Providing accurate employee status**
  - D. Improving work conditions for safety**
  
- 5. What are the four types of disability benefits available under workers compensation?**
  - A. Temporary Total, Temporary Partial, Permanent Total, Permanent Partial**
  - B. Temporary Total, Temporary Seasonal, Permanent Full, Permanent Temporary**
  - C. Accidental, Rehabilitative, Long-term, Temporary**
  - D. Sustained, Physical, Mental, Permanent**

- 6. What role did privateers play related to compensation during the 18th century?**
- A. They enforced safety conditions**
  - B. They shared spoils and received compensation for injuries**
  - C. They regulated worker classifications**
  - D. They provided formal contracts**
- 7. What does the term aggregate refer to in a Retro Plan?**
- A. The number of claims filed during the policy term**
  - B. The maximum amount subject to the plan for all claims during the policy term**
  - C. The total premiums paid over several years**
  - D. The minimum payout guaranteed for claims**
- 8. In workers' compensation, what is typically not covered?**
- A. Work-related injuries**
  - B. Occupational diseases**
  - C. Intentional acts by the employer**
  - D. Temporary disabilities**
- 9. What is the average eMod factor typically expressed as?**
- A. 1.5**
  - B. 2.0**
  - C. 1.0**
  - D. 0.75**
- 10. What does the term 'aggregate' refer to in the context of deductibles?**
- A. Total amount of claims**
  - B. Overall premiums paid**
  - C. Combined losses over a period**
  - D. Maximum coverage limit**

## **Answers**

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1. C
2. B
3. B
4. B
5. A
6. B
7. B
8. C
9. C
10. C

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## **Explanations**

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## 1. What is a significant disadvantage of a Retro Plan?

- A. Less flexibility in plan design
- B. Guaranteed short-term liabilities
- C. Assumption of risk and potential future liabilities**
- D. Increased employee compensation costs

A significant disadvantage of a Retro Plan is the assumption of risk and potential future liabilities. This type of plan typically allows companies to experience lower initial costs but often leads to greater long-term obligations. Essentially, while a Retro Plan can provide upfront savings, it can expose the organization to future costs that could be higher than anticipated, creating a financial liability risk. The nature of the Retro Plan means that it can essentially be structured to reflect actual experience and claims over time, which makes the company responsible for any deficits that arise from underestimating claims costs. This future liability risk can be substantial, as claim experiences can vary and lead to unexpected financial burdens. On the other hand, other options present different aspects of plan characteristics that may not specifically highlight the underlying issue of risk exposure and future liabilities as directly. Therefore, the focus on risk and future liabilities as a disadvantage stands out as a critical factor in evaluating the challenges associated with Retro Plans.

## 2. What does the term 'experience modification factor' relate to?

- A. The number of full-time employees in a company
- B. A ratio impacting the insurance premiums based on claims history**
- C. The average salary of employees in an organization
- D. The duration of business operations in a given state

The term 'experience modification factor' is specifically associated with workers' compensation insurance and reflects the claims history of a business. It is a ratio that compares the company's past claims experience to the expected claims experience for similar businesses within the same industry. If a company has fewer claims than average, it will have a modification factor below 1, potentially leading to lower premium rates. Conversely, a company that has more claims than expected will have a modification factor above 1, resulting in higher premiums. This factor serves as an incentive for businesses to maintain safer workplaces and reduce injuries, ultimately influencing the cost of their insurance coverage based on their performance in managing risk.

**3. Which program served as a model for workers' compensation in both Europe and the United States?**

- A. Workers Benefits Program**
- B. Workers Accident Insurance**
- C. Employee Safety Initiative**
- D. Occupational Risk Management Program**

The program that served as a model for workers' compensation in both Europe and the United States is the Workers Accident Insurance. This system was one of the first attempts to provide financial support and medical care for workers injured on the job. It laid the groundwork for modern workers' compensation programs by establishing a framework where employees, in case of work-related accidents, would receive benefits without needing to prove negligence on the part of the employer. This approach not only emphasized the responsibility of employers to ensure a safe working environment but also highlighted the importance of social insurance as a means to protect workers and their families. The need for such a system arose during the Industrial Revolution when labor conditions were hazardous and injuries were common. As such, this model influenced various workers' compensation laws across different countries, promoting similar programs aimed at worker protection and welfare. In contrast, the other options, while they might sound relevant, do not have the historic significance or established precedent that the Workers Accident Insurance program holds in shaping workers' compensation laws. They may represent modern initiatives or approaches but do not trace back to the foundational principles that defined early workers' compensation systems.

**4. What action characterizes employer fraud?**

- A. Reporting accurate payroll data**
- B. Lowering payroll to decrease premium payments**
- C. Providing accurate employee status**
- D. Improving work conditions for safety**

Lowering payroll to decrease premium payments is a clear indication of employer fraud because it involves intentionally manipulating payroll data to reduce insurance premiums or other costs. This action misrepresents the actual financial status of the business and undermines the statistical assessments that insurance companies rely on to calculate risk and premium rates. By reducing reported payroll, employers can lower their exposure to liability and reduce the costs associated with workers' compensation insurance or other employee-related premiums. In contrast, reporting accurate payroll data, providing accurate employee status, and improving work conditions for safety all represent lawful and ethical business practices. Accurately reporting payroll ensures compliance with tax and labor laws, while maintaining accurate employee status is essential for regulatory purposes. Improving work conditions demonstrates a commitment to employee safety and well-being, representing a responsible approach to management. These actions do not violate trust or manipulate financial obligations, thus distinguishing them from fraudulent activities.

**5. What are the four types of disability benefits available under workers compensation?**

- A. Temporary Total, Temporary Partial, Permanent Total, Permanent Partial**
- B. Temporary Total, Temporary Seasonal, Permanent Full, Permanent Temporary**
- C. Accidental, Rehabilitative, Long-term, Temporary**
- D. Sustained, Physical, Mental, Permanent**

The four types of disability benefits available under workers' compensation are accurately classified as Temporary Total, Temporary Partial, Permanent Total, and Permanent Partial. Each category addresses different circumstances of disability experienced by workers due to job-related injuries or illnesses. Temporary Total disability benefits are provided when an employee is completely unable to work for a limited period due to their injury but is expected to recover. Temporary Partial disability benefits are for situations where an employee can work, but only in a limited capacity and may earn less than their usual wages. Permanent Total disability benefits apply to individuals who are permanently unable to return to any form of work following their injury. Finally, Permanent Partial disability benefits offer compensation when an employee suffers a permanent impairment but can still work, albeit at a reduced earning capacity or in a different role. The other options do not offer the established classifications used in workers' compensation systems and may include terms that are not officially recognized or relevant to the context of disability benefits. For instance, terms like "Temporary Seasonal" and "Permanent Temporary" in the second option mix concepts that do not align with the policies governing disability benefits. Similarly, the terms in the third and fourth answers focus on types of disabilities or varying durations that do not fit into the standard categories for compensation.

**6. What role did privateers play related to compensation during the 18th century?**

- A. They enforced safety conditions**
- B. They shared spoils and received compensation for injuries**
- C. They regulated worker classifications**
- D. They provided formal contracts**

During the 18th century, privateers operated as privately owned ships authorized by governments to engage in maritime warfare, particularly against enemy ships during times of war. Their role included seizing enemy vessels and sharing the spoils of those captures. When privateers were wounded during these operations, they were often entitled to compensation for their injuries, both from the spoils they shared and potentially from their state or private sponsors as well. This structure of shared spoils meant that privateers had a financial incentive to engage vigorously in their missions; the more successful they were in seizing enemy property, the more resources they would have, which included compensation for any injuries incurred. Thus, they had a dual role as combatants and beneficiaries of the potential economic rewards derived from their actions, making the concept of shared spoils and compensation integral to their operations. In contrast, the other options do not accurately capture the essence of the privateer's role. They did not have a formal regulatory function over worker classifications, enforce safety conditions in a broader sense, or provide formal contracts in the manner that would aim towards broader employment or worker-related issues.

**7. What does the term aggregate refer to in a Retro Plan?**

- A. The number of claims filed during the policy term
- B. The maximum amount subject to the plan for all claims during the policy term**
- C. The total premiums paid over several years
- D. The minimum payout guaranteed for claims

In the context of a Retro Plan, the term “aggregate” specifically refers to the maximum amount that is subject to the plan for all claims incurred during the policy term. This aggregate limit is key in determining the total liability of the insurer under a retrospective insurance plan, which adjusts the premium based on the actual loss experience over a defined period. In practice, the aggregate limit ensures that there is a cap on the amount of claims that an insurer is responsible for, fostering financial predictability for both the insurer and the insured. It allows businesses to manage risk by understanding the maximum exposure associated with claims. Overall, this concept plays a crucial role in retrospective rating plans, where premiums can fluctuate based on losses, but the overall exposure is limited by the aggregate amount.

**8. In workers' compensation, what is typically not covered?**

- A. Work-related injuries
- B. Occupational diseases
- C. Intentional acts by the employer**
- D. Temporary disabilities

In the context of workers' compensation, intentional acts by the employer are typically not covered due to the foundational premise of workers' compensation systems. These systems are designed to provide financial benefits and medical care to employees who suffer work-related injuries or illnesses, as a means to compensate for lost wages and cover medical expenses without needing to establish fault. However, when an employer intentionally causes harm to an employee, it breaches the trust and obligations inherent in the employer-employee relationship. In such cases, the legal system often allows the injured employee to pursue a civil lawsuit against the employer for damages, rather than seeking relief through workers' compensation. This distinction underscores the principle that workers' compensation is meant for unintentional injuries and illnesses that arise during employment but not for acts of malice or willful misconduct on the part of the employer. Work-related injuries, occupational diseases, and temporary disabilities are within the scope of coverage provided by workers' compensation, as they fall under the unintended consequences associated with employment.

**9. What is the average eMod factor typically expressed as?**

- A. 1.5
- B. 2.0
- C. 1.0**
- D. 0.75

The average experience modification factor (eMod) is typically expressed as 1.0. The eMod is utilized in workers' compensation insurance to calculate a company's insurance premium based on its claim history compared to the industry average. An eMod of 1.0 indicates that a company's claim history is average when compared to other businesses in the same classification. If a company's eMod is above 1.0, it suggests that the business has a higher claim history than average, which may lead to higher premiums. Conversely, an eMod below 1.0 indicates a better-than-average claims history, possibly resulting in lower premiums. Understanding that the eMod reflects the relative risk of a business, the value of 1.0 serves as the benchmark against which individual businesses are measured, making this a critical figure for both risk assessment and cost calculations in workers' compensation insurance.

**10. What does the term 'aggregate' refer to in the context of deductibles?**

- A. Total amount of claims
- B. Overall premiums paid
- C. Combined losses over a period**
- D. Maximum coverage limit

In the context of deductibles, the term 'aggregate' refers to the combined losses over a specified period. This concept is particularly relevant in insurance policies where multiple claims may be filed within a certain time frame, such as a policy year. An aggregate deductible means that the insured must pay up to a certain limit - the aggregate deductible amount - across all claims made during that period before the insurance company starts to cover any additional losses. This approach helps the insurer manage risks and encourages policyholders to be more cautious, knowing that they have a limit on the total amount of deductible they will pay within the period. This understanding of 'aggregate' is key for individuals managing their insurance policies, as it impacts their potential financial exposure for multiple incidents occurring within that timeframe, rather than considering each incident's deductible separately.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://advtaxesm1m2m5m6m7m9.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**