CREDIT UNION MANAGEMENT SCHOOL (CMS) YEAR 3 PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED 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. 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.

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. 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!

Questions

1. Which statement best defines 'tone at the top' in internal controls?

A. The organization's ethical climate and leadership values.

B. The IT security framework.

C. The day-to-day operations.

D. The budgeting process.

2. What is described as the most valuable thing you can give someone in a professional setting?

A. Attention

B. Time

C. Money

D. Praise

3. In SBID, which list correctly lists its components?

A. Situation; Behavior; Impact; Desire

B. Situation; Behavior; Impact; Decision

C. Scenario; Behavior; Impact; Desire

D. Situation; Behavior; Influence; Desire

4. How does the economy influence credit union operations?

A. Healthy labor market and falling unemployment = higher loan demand & fewer loan losses

B. Increases in inflation decrease lending

C. Unemployment drives more deposits

D. GDP growth reduces loan growth

5. Impact is defined as:

A. The probability that an event may occur

B. The degree to which the organization reduces risk

C. The potential effect, in the absence of responses, of the risk exposure on net income

D. The actions taken to mitigate risk

6. What is the purpose of Call Reports or NCUA financial reporting?

A. To market the credit union to potential members

B. To compare performance with other industries

C. To provide regulatory authorities with standard financial information on the credit union's condition and performance

D. To set interest rates for loans

7. How could macroeconomic changes affect a credit union's liquidity?

A. Changes in rates, employment, or consumer spending affect deposits, loan demand, and funding access.

B. Only regulatory changes affect liquidity.

C. Liquidity is completely independent of macroeconomics.

D. Liquidity is determined solely by internal policies.

8. What term describes the brain's fight-or-flight response when the perceived threat triggers automatic emotion-driven action?

A. Emotional regulation.

B. Cognitive load.

C. Amygdala hijack.

D. Homeostatic shift.

9. Which Covey zone marks the moment when you start to see the benefits of the change?

A. Status quo

B. Disruption

C. Adoption

D. Innovation

10. In DISC, which style prefers a steady pace to avoid conflict?

A. C in DISC

B. S in DISC

C. D in DISC

D. I in DISC

Answers

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

Explanations

1. Which statement best defines 'tone at the top' in internal controls?

A. The organization's ethical climate and leadership values.

B. The IT security framework.

C. The day-to-day operations.

D. The budgeting process.

Tone at the top is about the ethical climate and leadership values set by senior management. This sets the tone for everything that follows in an internal control system: it shapes expectations, behavior, and accountability, guiding how risk is perceived and how controls are designed, implemented, and enforced. When leaders demonstrate integrity, consistently communicate policy, and back up ethical standards with actions and resources, employees are more likely to follow suit, support control activities, and report issues. That cultural foundation is what underpins an effective control environment and influences all other control components. The other options miss this behavioral and cultural dimension. An IT security framework is a technical layer of controls; day-to-day operations describe processes rather than the ethical climate that governs them; the budgeting process concerns planning and resource allocation, not the leadership-driven tone that governs how controls are treated across the organization.

2. What is described as the most valuable thing you can give someone in a professional setting?

A. Attention

B. Time

C. Money

D. Praise

In a professional setting, attention is the most valuable thing you can give someone. When you offer your full, focused attention, you signal that you value the other person's input, which builds trust, improves understanding, and makes communication more effective. Attention unlocks the impact of everything else you might give—time, money, or praise—because without it, even well-intended gestures can miss the mark. Time is finite and can be managed, money can buy tools or resources, and praise can motivate, but none of these work as well without active attention to what the other person needs, says, or struggles with. In practice, focused listening, minimal distractions, and thoughtful responses in conversations or meetings show that you're truly engaged and are the foundation for productive collaboration and meaningful outcomes.

3. In SBID, which list correctly lists its components?

A. Situation; Behavior; Impact; Desire

B. Situation; Behavior; Impact; Decision

C. Scenario; Behavior; Impact; Desire

D. Situation; Behavior; Influence; Desire

SBID uses four elements to structure feedback: Situation, Behavior, Impact, and Desire. The Situation sets the context of what was happening; Behavior describes the specific, observable actions taken; Impact explains the effect those actions had on others or outcomes; and Desire expresses what you want to happen next, usually a concrete request or change. This sequence is what makes SBID distinct: it moves beyond judgment by anchoring feedback in context, observable actions, and a clear future request. The other options mix in terms like Scenario, Decision, or Influence, which aren't part of SBID, so they don't fit the framework.

4. How does the economy influence credit union operations?

A. Healthy labor market and falling unemployment = higher loan demand & fewer loan losses

B. Increases in inflation decrease lending

C. Unemployment drives more deposits

D. GDP growth reduces loan growth

The key idea is that macroeconomic conditions shape both how much members want to borrow and how likely they are to repay. When the labor market is healthy and unemployment is falling, members have steadier incomes and more confidence to take on loans for things like homes, cars, or education. That raises loan demand for the credit union. At the same time, stronger employment reduces financial stress and the likelihood of defaults, so loan losses tend to fall. Put together, this means higher loan growth with better credit quality, which is the best outcome for a credit union's operations. Inflation can complicate lending decisions and may dampen borrowing, rather than clearly increasing loan activity. A straightforward GDP growth pattern usually supports more lending, not less, so saying growth reduces loan growth doesn't fit the typical dynamic. And unemployment affecting deposits isn't as direct or reliable a driver as the link between employment, loan demand, and loan performance, which is why the first statement best captures the real impact.

5. Impact is defined as:

A. The probability that an event may occur

B. The degree to which the organization reduces risk

C. The potential effect, in the absence of responses, of the risk exposure on net income

D. The actions taken to mitigate risk

Impact measures the potential financial consequence if a risk event occurs and no response actions are taken. It focuses on the effect on net income (or other financial outcomes) if the exposure materializes without mitigations. This is why option describing the potential effect on net income in the absence of responses is correct. It differs from probability, which is about how likely the event is to occur, and from actions taken to mitigate or reduce risk, which are responses rather than the consequence itself. In risk assessment, both likelihood and impact are used together to prioritize risks and determine where to allocate controls and resources. For example, a data breach could have a large impact on net income even if its probability is moderate; that potential financial loss is what impact captures.

6. What is the purpose of Call Reports or NCUA financial reporting?

A. To market the credit union to potential members

B. To compare performance with other industries

C. To provide regulatory authorities with standard financial information on the credit union's condition and performance

D. To set interest rates for loans

Call Reports and NCUA financial reporting are standardized disclosures that credit unions must file for regulatory oversight. They provide regulators with a clear, comparable view of a credit union's financial condition and performance, using consistent line items and reporting periods. This enables safety-and-soundness monitoring, helps regulators assess capital adequacy, liquidity, asset quality, earnings, and management, and supports risk-based examinations and corrective actions when needed. While the data can be useful for benchmarking or research, the primary purpose is regulatory transparency and protection of members and the financial system.

7. How could macroeconomic changes affect a credit union's liquidity?

A. Changes in rates, employment, or consumer spending affect deposits, loan demand, and funding access.

B. Only regulatory changes affect liquidity.

C. Liquidity is completely independent of macroeconomics.

D. Liquidity is determined solely by internal policies.

Macroeconomic changes affect a credit union's liquidity by shaping member behavior and access to funding. When rates shift, employment improves or deteriorates, and consumer spending changes, the flow of cash into and out of the credit union adjusts. Higher or more attractive rates can influence where members keep their funds, altering deposits and the cost of funds, while employment trends and spending patterns drive how much members borrow and how quickly loans are funded. If unemployment rises, withdrawals may increase and loan demand may soften, straining liquidity; strong job growth and healthy spending can boost loan originations, pulling liquidity out of the balance sheet unless matched by deposits or other funding. Additionally, macro conditions affect the availability and cost of wholesale funding and credit lines, which credit unions rely on to meet liquidity gaps. Because liquidity depends on both incoming funds (deposits and loan repayments) and outgoing funding needs (loan disbursements, withdrawals, and wholesale funding), macroeconomic changes directly influence how liquid the institution is. Regulatory changes or internal policies matter, but they don't capture these external dynamics that drive actual cash flows and funding access.

8. What term describes the brain's fight-or-flight response when the perceived threat triggers automatic emotion-driven action?

A. Emotional regulation.

B. Cognitive load.

C. Amygdala hijack.

D. Homeostatic shift.

When a perceived threat triggers automatic emotion-driven action, the brain can undergo an amygdala hijack: the amygdala, the brain's emotional center, takes over from the rational thinking parts and drives a quick fight-or-flight response. The amygdala rapidly assesses danger and can activate the sympathetic nervous system, releasing stress hormones and preparing the body for rapid action before the prefrontal cortex has a chance to plan or regulate. This leads to impulsive, reflexive behavior grounded in emotion rather than deliberate thought. For example, you might snap back at someone or freeze in a threatening moment, even if a calm, reasoned response would be possible. Emotional regulation, by contrast, is about consciously managing emotions after they arise; cognitive load refers to the mental effort a task requires; and a homeostatic shift concerns maintaining internal balance, not triggering automatic emotional actions.

9. Which Covey zone marks the moment when you start to see the benefits of the change?

A. Status quo

B. Disruption

C. Adoption

D. Innovation

The moment you start seeing the benefits of a change happens when the new approach has moved beyond simply being tried or accepted and is now delivering real value. In Covey's model, that occurs in the Innovation zone. Here the new methods are refined, embedded into daily work, and the improvements—like faster processes, better quality, or lower costs—become noticeable across the system. The other stages aren't where those benefits are first realized: the status quo is the old way before change; disruption is the triggering push that initiates the change; adoption is the initial uptake and use of the new approach, which may begin to show benefits but isn't yet where the value is fully realized and scaled.

10. In DISC, which style prefers a steady pace to avoid conflict?

A. C in DISC

B. S in DISC

C. D in DISC

D. I in DISC

Steadiness in DISC centers on patience, reliability, and a calm, supportive approach. This style prefers stable, predictable progress and tends to avoid confrontation by keeping the pace even and unhurried. By maintaining a steady tempo, they give others time to adjust, prevent surprises, and prioritize harmony over rapid change. That's why this style is described as preferring a steady pace to avoid conflict. In contrast, other styles push in different ways—Dominance tends to move quickly and seek decisive action, Influence focuses on social momentum and enthusiasm, and Conscientiousness emphasizes accuracy and thorough analysis, which can slow things but for precision rather than conflict avoidance.

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.

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

https://cmsyear3.examzify.com

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