

M-100: THE ESSENTIALS OF COMMUNITY ASSOCIATION MANAGEMENT PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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

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- 1. Bond prices fluctuate in response to which market factor?**
 - A. Current interest rates.
 - B. Stock market performance.
 - C. Credit card interest.
 - D. Housing prices.
- 2. Which basis of accounting recognizes expenses when they are incurred, regardless of whether they have been paid?**
 - A. Cash basis
 - B. Accrual basis
 - C. Modified cash basis
 - D. None
- 3. In insurance terms, preservation of life and property is considered a paramount concern in any insurance contract. Is this statement true or false?**
 - A. False; preservation of life and property is not a consideration.
 - B. True; preservation of life and property is a paramount concern.
 - C. True; but only property is a concern.
 - D. False; it is the least important consideration.
- 4. Which scenario is covered by extra expense insurance?**
 - A. Increase in property taxes after reassessment
 - B. Loss of rental income due to vacancy
 - C. Extra expense of a temporary office after the onsite office was destroyed by fire
 - D. Flood damage to the building
- 5. Which statement is NOT a key characteristic of most community associations?**
 - A. Certain documents bind all owners to be governed by the community association.
 - B. A requirement of ownership is serving on the board of directors.
 - C. Mandatory lien-based economic charges or assessments are levied on each owner to operate and maintain the community.
 - D. Membership in the community association is mandatory and automatic for all owners.

- 6. Duty of loyalty, also known as fiduciary duty, requires the fiduciary to do what?**
- A. Act to maximize the association's profits.
 - B. Avoid any relationship with vendors.
 - C. Act in the asset owner's interests and avoid serving personal or third-party interests.
 - D. Disclose conflicts only after a dispute arises.
- 7. Bid specifications include which of the following?**
- A. Detailed instructions about the products or services requested in the RFP.
 - B. The final contract price only.
 - C. The warranty terms only.
 - D. A list of preferred vendors.
- 8. Which term most closely fits the definition: 'to change a motion by inserting, adding, striking out, or substituting words'?**
- A. Take a motion from the table
 - B. Second a motion
 - C. Amend a motion
 - D. Table a motion
- 9. GAAP requires the statement of cash flows.**
- A. False.
 - B. True.
 - C. Only for large associations.
 - D. Only if the association has debt.
- 10. 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.**
- A. True
 - B. False
 - C. Not sure
 - D. Sometimes

Answers

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

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Explanations

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1. Bond prices fluctuate in response to which market factor?

- A. Current interest rates.**
- B. Stock market performance.
- C. Credit card interest.
- D. Housing prices.

Bond prices move when current interest rates change. This happens because the value of a bond is the present value of its future cash flows (the periodic interest payments and the return of the principal), discounted at the prevailing market rate. When interest rates rise, new bonds offer higher yields, so existing bonds with lower coupons become less attractive; to compete, their prices fall so their overall yield aligns with the higher rates. When rates fall, existing bonds with higher coupons become more valuable, pushing their prices up. Longer-term and lower-coupon bonds tend to be more sensitive to rate changes because there's more value tied up in distant cash flows and the discounting effect is stronger over a longer horizon. While stock market performance, credit card rates, and housing prices influence broader conditions, the direct driver of bond price fluctuations is the level of current interest rates.

2. Which basis of accounting recognizes expenses when they are incurred, regardless of whether they have been paid?

- A. Cash basis
- B. Accrual basis**
- C. Modified cash basis
- D. None

Accrual accounting records expenses when they are incurred, not when payment is made. This follows the matching principle, which aims to link expenses to the period in which the related goods or services are used or the revenue is earned. For example, if a janitorial service is provided in December but billed and paid in January, accrual accounting records the expense in December, reflecting when the service occurred. In contrast, cash basis would book the expense only when the cash is paid, and a modified cash basis blends elements of both. Using accrual provides a more accurate picture of financial performance for the period and is commonly used for formal financial reporting.

3. In insurance terms, preservation of life and property is considered a paramount concern in any insurance contract. Is this statement true or false?

- A. False; preservation of life and property is not a consideration.
- B. True; preservation of life and property is a paramount concern.**
- C. True; but only property is a concern.
- D. False; it is the least important consideration.

The main idea is that the purpose of insurance is to protect against financial loss so the insured can maintain financial stability after something bad happens. Preserving life and property is central because, at its core, insurance transfers the risk of those losses from the insured to the insurer, providing funds to cope with or recover from a covered event. In life insurance, the aim is to support dependents and replace lost future earnings; in property or casualty insurance, the goal is to repair, replace, or otherwise mitigate the financial impact of damage to property or liability. Because these outcomes are the fundamental reason people buy insurance, the statement that preservation of life and property is a paramount concern is true. It isn't accurate to say it isn't a consideration, or that only property matters, or that it's the least important—life and property protections are both essential to the contract's purpose.

4. Which scenario is covered by extra expense insurance?

- A. Increase in property taxes after reassessment
- B. Loss of rental income due to vacancy
- C. Extra expense of a temporary office after the onsite office was destroyed by fire**
- D. Flood damage to the building

Extra expense coverage pays the additional costs a business incurs to keep operating after a covered loss. When the onsite office is destroyed by fire, the business may need a temporary office, a phone system, furniture, equipment, and other moving and setup costs to continue functioning. These are extra costs beyond normal operations, and this type of insurance is specifically designed to cover them so you can maintain continuity while repairs are underway. The other scenarios don't fit extra expense coverage. An increase in property taxes after reassessment isn't an insured expense. Loss of rental income due to vacancy is typically covered under business income (loss of income) coverage, not extra expenses. Flood damage to the building is a property loss that would require property damage coverage or flood-specific coverage, not the extra costs of continuing operations.

5. Which statement is NOT a key characteristic of most community associations?

- A. Certain documents bind all owners to be governed by the community association.
- B. A requirement of ownership is serving on the board of directors.**
- C. Mandatory lien-based economic charges or assessments are levied on each owner to operate and maintain the community.
- D. Membership in the community association is mandatory and automatic for all owners.

In most community associations, governance is shaped by the governing documents, automatic membership for owners, and mandatory assessments to operate and maintain the community. Owners are bound by covenants, conditions, and restrictions that govern use and conduct, and everyone who owns property in the association typically becomes a member with responsibilities, including paying assessments that fund maintenance and services. The statement that ownership requires serving on the board is not a typical characteristic. Board service is usually an elected or appointed role, filled by owners who run for positions or are selected, and it has terms, qualifications, and duties. It isn't a mandated condition of ownership like membership status or financial obligations are. So, the reason this option is not characteristic is that ownership does not inherently obligate someone to serve on the board; governance is managed through elected directors rather than a compulsory board membership requirement.

6. Duty of loyalty, also known as fiduciary duty, requires the fiduciary to do what?

- A. Act to maximize the association's profits.
- B. Avoid any relationship with vendors.
- C. Act in the asset owner's interests and avoid serving personal or third-party interests.**
- D. Disclose conflicts only after a dispute arises.

The main concept here is fiduciary duty of loyalty: the person in charge must put the association's interests first and avoid personal gain or conflicts that could sway decisions. This means acting in the asset owner's interests and steering clear of serving personal or third-party interests. If there's any potential conflict—like a contract with a company you or a family member have a stake in—you disclose it and recuse yourself from related decisions. Relationships with vendors aren't inherently forbidden, but they must be transparent and principled to prevent self-dealing. Decisions should focus on protecting the owners' long-term interests and the association's assets, not on maximizing short-term personal profit. Conflicts should be disclosed proactively, not only after a dispute arises.

7. Bid specifications include which of the following?

- A. Detailed instructions about the products or services requested in the RFP.**
- B. The final contract price only.
- C. The warranty terms only.
- D. A list of preferred vendors.

Bid specifications define the exact requirements for the goods or services requested in the RFP, including the scope, technical and performance standards, quantities, delivery timelines, and acceptance criteria. This level of detail ensures bidders can craft proposals that meet the organization's needs and that evaluators can compare submissions on a like-for-like basis. Price information, warranty terms, and vendor lists are handled in other parts of the procurement process: price goes in the bid proposal pricing, warranty terms are part of the contract or technical terms, and a list of preferred vendors pertains to supplier prequalification rather than what the RFP is asking for.

8. Which term most closely fits the definition: 'to change a motion by inserting, adding, striking out, or substituting words'?

- A. Take a motion from the table
- B. Second a motion
- C. Amend a motion**
- D. Table a motion

Amending a motion means changing its wording by inserting, deleting, or substituting words. This allows the group to refine the proposal without presenting a completely new idea, and amendments are typically related to the motion's subject and can be debated and further amended. The other actions—taking a motion from the table, seconding a motion, or tabling a motion—do not involve altering the motion's wording: resuming a tabled item, showing support to bring it forward, and postponing consideration, respectively.

9. GAAP requires the statement of cash flows.

- A. False.
- B. True.**
- C. Only for large associations.
- D. Only if the association has debt.

GAAP requires a statement of cash flows because it provides essential insight into actual cash movements, liquidity, and the ability to sustain operations. While the income statement shows performance on an accrual basis, the cash flow statement translates that into real cash in and out, breaking it down into operating, investing, and financing activities. For a community association, this is especially important because dues, assessments, delinquencies, and transfers to or from reserve funds can create cash patterns that don't align with reported net income. Seeing the cash flows helps managers and stakeholders understand whether the association can meet its obligations, fund ongoing maintenance, and plan for future needs, regardless of size or debt status.

10. 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.

- A. True**
- B. False
- C. Not sure
- D. Sometimes

A contract is a legally binding agreement between two or more parties in which each promises to do or not to do something. This enforceability by law is what makes a contract more than a casual promise, because it provides remedies if one side doesn't perform. In a community association, contracts govern vendor service, management arrangements, leases, and other obligations, so understanding that they bind specific promises is essential. The statement is true because it captures the core elements: there are multiple parties, there is an agreement with promises, and it's enforceable by law. Remember that validity also relies on offer and acceptance, consideration, and the parties' legal capacity and the legality of the purpose; missing any of these can affect enforceability, but the description given still accurately describes what a contract is.

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:

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

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