

Test Your Knowledge

Below are some sample questions from the NACD Directorship Certification Exam, as they appear in the Study Guide.

- 1. Which best describes the two most important fiduciary duties of a board member?**
 - a. The duties of financial responsibility and accuracy
 - b. The duties of loyalty and care
 - c. The duties of being prepared and responsible for board work
 - d. The duties of ethics and integrity

- 2. Which function is the primary role of the audit committee?**
 - a. Proposing the processes used by outside auditors
 - b. Directing that the financial statements are filed in a timely manner and meet the requirements of the US Securities and Exchange Commission
 - c. Providing oversight of the financial reporting process, the audit process, and the company's system of internal controls
 - d. Confirming that each major transaction meets applicable accounting and regulatory standards

- 3. Which required disclosure to investors contains the Compensation Discussion & Analysis?**
 - a. The proxy statement
 - b. Form 10-K
 - c. Form 10-Q
 - d. The annual report

- 4. During a review of the company's strategic plan, which factor would raise the greatest concern?**
 - a. Lack of adequate capital (human and/or financial) to meet the needs of the plan
 - b. Lack of detailed 10-year financial plans
 - c. Lack of consideration of acquisition targets to generate growth
 - d. Lack of management unanimity

- 5. Which line item of the income statement is necessary to calculate gross margin?**
 - a. General and administrative expenses
 - b. Interest expense
 - c. Cost of goods sold
 - d. Sales and marketing expenses

- 6. How should directors communicate with proxy advisors such as Institutional Shareholder Services and Glass, Lewis & Co.?**
 - a. They should not independently communicate directly with proxy advisors on behalf of the company.
 - b. They should only discuss publicly disclosed information with proxy advisors.
 - c. They should only discuss information with proxy advisors in a public setting.
 - d. They should only discuss the industry with proxy advisors.

- 7. What US Securities and Exchange Commission filing must be submitted within 10 days by anyone who acquires beneficial ownership of more than 5 percent of any class of publicly traded securities in a public company?**
 - a. Form 4
 - b. 13G
 - c. Schedule 14D
 - d. 13D

- 8. What role do Glass, Lewis & Co. and Institutional Shareholder Services play in the proxy vote?**
 - a. They advocate for board disruption to force refreshment.
 - b. They advise shareholders on director nominees, compensation, and governance.
 - c. They recommend increases in compensation to promote board stability.
 - d. They sell research to corporate boards in exchange for high company valuations.

- 9. Which is an essential element of an effective crisis management plan?**
 - a. Competitive analysis summary
 - b. Communications plan
 - c. Employee pension plan document
 - d. Internal audit contingency plan

- 10. Which action by a corporate director is most appropriate?**
 - a. Directing the vice president of talent management to terminate an employee
 - b. Speaking to the media about a company press release
 - c. Directing management to utilize a specific vendor
 - d. Meeting with an investor in the presence of executive management

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Answers to practice test questions: 1. b; 2. c; 3. a; 4. a; 5. c; 6. a; 7. d; 8. b; 9. b; 10. d