NACD DIRECTORSHIP CERTIFICATION®

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