



# ICD.D Certification Sample Questions

The Institute of Corporate Directors (ICD) written examination evaluates knowledge-based competencies deemed necessary to be an effective director. The examination consists of 50 multiple choice and true/false questions.

To assist you in preparing for the ICD written examination we have included a cross-section of possible questions for your review and links to relevant resource materials. Thank you.

## Sample Question 1.

**True or false? A complete set of financial statements for a publicly traded Canadian company includes only the following: income statement, balance sheet, and statement of cash flows.**

- A True
- B False

Answer: B

Explanation: In addition to those items listed above, a set of financial statements also includes a statement of stockholders' equity or statement of retained earnings. Notes should accompany the statements.

## Sample Question 2.

**When should the Board begin the CEO succession planning process?**

- A As soon as the new CEO comes into position
- B 4-6 years before the current CEO is expected to leave
- C 2-3 years before the current CEO is expected to leave
- D Immediately after the CEO and the Board agree on the expected departure date of the current CEO
- E 18 months before the expected departure of the current CEO

Answer: A

Explanation:

The CEO succession planning process should be an on-going process, not an episodic one. Very soon after a new CEO comes into position, the CEO and Board should begin to have discussions about how possible successors are going to be developed.

### Sample Question 3.

**CSA Corporate Governance Guidelines recommend that Boards, prior to nominating new directors:**

- A consider the competencies and skills the Board should possess
- B assess the competencies and skills possessed by existing directors
- C establish a Nominations Committee composed of independent directors
- D all of the above
- E only (A) and (C)

Answer: D

Explanation:

The new guidelines recommend that Nominating Committees go through a rigorous process of determining required skills, including assessing the skills of existing directors.

### Sample Question 4.

**Organizations that pursue operational effectiveness but not strategic innovation are less likely to maximize their return on capital over the long term.**

- A True
- B False

Answer: A

Explanation: Finding a unique value proposition means that competitors do not compete on price and/or adding more costly services that are easily imitated and therefore generate greater shareholder returns on average.

### Sample Question 5.

**Anchoring and adjustment refers to the way that people often estimate:**

- A The value of things when that value is uncertain.
- B How much to pay in corporate transactions.
- C Appropriate levels of compensation.
- D All of the above.
- E None of the above.

Answer: D

Difficulty: 3

Explanation: Anchoring and adjustment refers in general to the way that people typically estimate the value of something when that value is uncertain or ambiguous. Answer A is consistent with this definition, and answers B and C refer specifically to the kinds of estimates that would reflect anchoring and adjustment.

**Sample Question 6.**

**To whom do directors in Canada owe their fiduciary responsibilities?**

- A Shareholders
- B Creditors
- C All stakeholders
- D The corporation
- E All of the above

Answer: D