

IRC Sample Test 2018

The following sample questions are only meant to give candidates an indication of the IRC® examination format and type of topics covered. They are not considered exam preparatory or training materials.

These questions do not reflect the actual difficulty level of the IRC examinations, and will not appear on any future IRC examinations.

- 1. An IR professional believes investor expectations for the performance of the company's major business unit are well ahead of internal forecasts. The best course of action for the IR professional would be to**
 - A. Contact sell-side analysts individually to discuss with them and revise their forecasts.
 - B. Arrange for a financial reporter to interview the business unit's president.
 - C. Meet with management and legal to determine whether to develop pre-release communications.
 - D. Contact the board of directors and alert them of the potential problem with the business unit's most recent financial results.

- 2. A good crisis communication plan should include**
 - A. social media monitoring.
 - B. an active Twitter account.
 - C. blog editors.
 - D. a LinkedIn presence.

- 3. What information should the IR professional share with management on a regular basis to ensure messaging remains current and effective?**
 - A. Stock price fluctuations and trading volatility relative to peer group
 - B. Financial and non-financial metrics to industry benchmarks
 - C. New or increased ownership positions by targeted institutional investors
 - D. Feedback from key stakeholders and target audiences

- 4. Which of the following is the best way to evaluate the audience's understanding of key messages in an earnings call?**
 - A. Count how many analysts and investors dialed into the earnings call.

- B. Determine how many follow-up questions came in after the call.
 - C. Watch the stock price after each message was delivered.
 - D. Call analysts and investors who listened to the call and solicit feedback.
- 5. Which of the following is the most likely reason investors would be interested in a company's gross margin trends?**
- A. It would be the best indicator of a company's operating profitability.
 - B. It could be an indicator of a company's pricing power.
 - C. It would indicate the impact of wage pressure on the company's profit.
 - D. It could be a reliable predictor of sales trends going forward.
- 6. Leading up to its earnings call, an IR professional identifies similar questions being asked across peers' earnings calls. How should the IR professional best prepare management?**
- A. Prepare responses similar to the peers' responses.
 - B. Direct management's focus to separate matters since the issues have already been asked and addressed.
 - C. Furnish management with the full texts of transcripts and analyst reports to maximize the context in which the questions were asked.
 - D. Assume the similar line of questioning is a trend and present excerpts to management with suggested answers.
- 7. A U.S.-based company sells 30% of its product to domestic customers and exports the remaining 70% to the European Union. How should the company's IR professional explain the impact of a strong dollar on quarterly revenue results?**
- A. The foreign currency revenue of U.S. multinational companies are worth less in dollars, and therefore, the revenue results will be lower.
 - B. The foreign currency revenue of U.S. multinational companies are worth more in dollars, and therefore, the revenue results will be higher.
 - C. American-made goods and services are more expensive overseas, and therefore, customers' demand will decrease, but the revenue results will be higher.
 - D. American-made goods and services are less expensive overseas, and therefore, customers' demand will increase, but the revenue results will be lower.
- 8. Which statement differentiates Exchange-Traded Funds (ETFs) and Mutual Funds?**
- A. Mutual Funds are actively managed with stated risk parameters.
 - B. ETFs are designed to track an index.
 - C. ETFs are priced once each day.
 - D. Mutual Funds are priced once each day.

9. Which of the following is an unacceptable method for Regulation FD disclosure?

- A. Hosting a meeting at company headquarters with a publishing sell-side analyst
- B. SEC filings
- C. Properly noticed and open (accessible) conference calls
- D. Press releases

10. During proxy solicitation, investors may cast their votes

- A. More than once per share.
- B. Only once per share.
- C. For all shares, whether held or borrowed.
- D. Each time they purchase shares before the annual meeting.

ANSWER KEYS

1. *Key C. / Cognitive Level/Application / Domain 1/IR Strategy Formulation*
2. *Key A. / Cognitive Level/Recall / Domain 2/IR Planning, Implementation and Measurement*
3. *Key D. / Cognitive Level/Application / Domain 3/Corporate Messaging Development*
4. *Key D. / Cognitive Level/Analysis / Domain 4/Investor Marketing and Outreach*
5. *Key B. / Cognitive Level/Application / Domain 5/Corporate Financial Reporting and Analysis*
6. *Key D. / Cognitive Level/Analysis / Domain 6/Business Insight*
7. *Key A. / Cognitive Level/Analysis / Domain 7/Strategic Counsel and Collaboration*
8. *Key D./ Cognitive Level/Recall / Domain 8/Capital Markets & Capital Structure*
9. *Key A. / Cognitive Level/Application / Domain 9/Corporate Regulatory Compliance*
10. *Key B. /Cognitive Level/Recall / Domain 10/Corporate Governance*

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