

IRC Sample Test 2019

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. Which of the following are the most important elements of a manufacturing company's business strategy that should be consistently communicated to investors?

- A. Research and development milestones
- B. Market growth and competitive strengths
- C. Revenue and cash flow projections
- D. Corporate merger and acquisition plans

2. Senior management has asked a new IR professional to organize an investor day. To best prepare for the event, what is the first step the IR professional should take?

- A. Conduct a perception study with a firm that has the most industry experience.
- B. Review analyst reports on the investor days of peer companies.
- C. Analyze the effectiveness of the company's past investor day presentations.
- D. Solicit input from investors and analysts on the company's key business drivers.

3. The CEO asks for an analysis of trading in the company's stock immediately following a secondary offering. Which of the following is the best source of information for the IR professional to compose this analysis?

- A. The sell-side analyst from the company's lead investment bank
- B. The head of equity trading at the company's lead investment bank
- C. The market intelligence desk at the company's listed exchange
- D. The company's retained stock surveillance firm

4. If a company is at risk of a negative proxy vote on executive compensation, the IR professional should:

- A. Adjust the company's proxy peer group with help of a compensation consultant.
- B. Draft a press release highlighting pay-for-performance metrics.
- C. Develop supplemental materials regarding performance with a proxy advisor.
- D. Solicit portfolio managers through a broker sponsored non-deal roadshow.

5. As the leader of the messaging development process, the IR professional should create and update a repository, message map, or master document of corporate disclosures in order to

- A. ensure strategic announcements are consistent and complementary across target audiences.
- B. maintain a record of all material information disclosed in compliance with SEC regulations.
- C. track participants and their edits through various rounds of reviews to approval.

- D. discuss proprietary and insider information with members of the disclosure committee.

6. The IR professional learns that an executive from the company's research department is speaking at a technical conference regarding a new product, which management has already foreshadowed and described. The first action for the IR professional is to

- A. ensure the executive's prepared remarks are not recorded or distributed at the conference.
- B. review the executive's presentation to ensure no material nonpublic information is discussed.
- C. ensure that no one from the financial community attends this conference.
- D. educate the executive on Regulation FD.

7. After completing a successful non-deal roadshow, what near-term steps should the IR professional take to follow up with management?

- A. Review feedback from investors with the management team to enhance future investor messaging.
- B. Hold a follow-up conference call with the investment community to formally respond to investors questions.
- C. Hold a follow-up conference call with the investment community to announce changes in company strategy.
- D. Review with each member of the management team individually the feedback they received.

8. Perception studies are most valuable when

- A. management is willing to listen to the results.
- B. they are conducted twice a year.
- C. the results are given to the Board of Directors.
- D. they are conducted after a conference presentation.

9. When is the most appropriate time to brief senior management on sell-side analysts' forecasts and models?

- A. During the quarterly earnings preparation process.
- B. Each quarter when updating the board of director's material.
- C. Before a non-deal road show with management.
- D. After the company's annual meeting of shareholders.

10. The acquiring company in an acquisition believes it can generate greater synergies than was announced at the time of the transaction. Management wants to disclose that overall earnings guidance remains unchanged. Which of the following is the best initial advice the IR professional can provide to management?

- A. Advise management that raising the synergies expectations without raising earnings guidance could signal a deceleration in the core business.
- B. Recommend that the company disclose that the higher synergies are coming from sales growth rather than expense reduction.
- C. Counsel management that guidance should be raised in an amount directly proportional to the synergy increase.
- D. Take the conservative approach and simply let the existing earnings guidance speak for itself.

11. The CEO asks the IR professional how the market will react to an increase in dividends rather than a share repurchase program. What is the best way to anticipate the reaction of investors?

- A. Poll the company's top shareholders and ask for their view on the street's likely reaction.
- B. Evaluate the results and street reaction following similar actions taken by peers.
- C. Solicit input from the firm's board of directors, particularly from the finance committee.
- D. Ask for advice and direction from the firm's investment bankers.

12. Which of the following is the best use of actionable business intelligence developed by monitoring the public announcements and the analyst coverage of a company's peer group?

- A. To effectively position the company as a market leader
- B. To ensure management has an informed view of how its peers are valued
- C. To be able to have a richer dialogue with the analyst community
- D. To help refine the company's message strategy

13. A U.S.-based company is considering an acquisition of facilities in the European Union that would increase the company's size by 25%. Currently, none of the company's peers have facilities outside the U.S. What guidance should the IR professional give executive management when considering this acquisition?

- A. The acquisition will be perceived positively because it increases the diversification of the company.
- B. The possible impact of foreign currency risk and volatility on financial results.
- C. The acquisition will be perceived well if the company hedges the currency.
- D. The foreign currency aspect will be viewed positively when the dollar is strong.

14. One week prior to a company's quarterly earnings announcement, the head of marketing and communications just informed the IR professional that the CEO approved a press release announcing a new product innovation that is likely to materially impact the stock price. The announcement is scheduled for release before market open tomorrow and the IR professional has not reviewed the release. Which of the following is the IR professional's best course of action?

- A. Immediately call a meeting of key internal stakeholders to better understand the innovation and to discuss the timing of the product innovation announcement to minimize disruption to the earnings announcement.
- B. Let the marketing and public relations teams issue the release as planned since it is a material announcement that should be released within a short time frame in order to meet the requirements of Reg FD.
- C. Ask the head of marketing to delay the announcement so that it can be bundled with the quarterly earnings.
- D. Immediately notify the CFO and Chief Legal Counsel, asking them to intercede with the CEO and head of marketing to delay the product announcement by a week.

15. What is the primary reason for a company to conduct an equity IPO?

- A. Provide management with an opportunity to reduce their holdings.
- B. Make available equity incentives to motivate and recruit employees.
- C. Increase liquidity and potentially reduce the cost of capital.
- D. Enhance corporate perception and increase visibility.

16. The best definition of "Say on Pay" is

- A. an advisory vote by shareholders on executive compensation required by the SEC.

- B. a rule for U.S.-listed companies requiring disclosure of executive officer salaries.
- C. the opinion of proxy advisory firms, such as ISS and Glass Lewis, on the appropriateness of executive pay.
- D. a regulation that allows for shareholders of at least 2% of a company to put forth a binding resolution on executive pay.

17. Low board meeting attendance by directors is a contributing factor for some directors receiving

- A. a relatively low-vote participation by shareholders
- B. a large abstain vote by retail shareholders
- C. an abstain or no vote recommendation by proxy advisors
- D. an outreach from activist hedge funds

18. Absent the adoption of a proxy access bylaw, to be eligible to submit a proposal, a shareholder must own

- A. at least \$2,000 in market value, or 1%, of a company's outstanding common stock for at least 1 year
- B. more than 3% of a company's outstanding common stock for more than 3 years
- C. approximately 5% of a company's outstanding common stock and be a 13D filer
- D. collectively 10% of the company's outstanding common stock for more than 1 year

19. Which issue is the most problematic for a company from governance perspective?

- A. Average board tenure of 15 years
- B. Board of directors with a 65 years of age mandatory retirement
- C. CEO and Chairman position combined with an active independent lead director
- D. 50 percent diversity composition of the board of directors

20. Which the following is not an executive compensation reform of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010?

- A. Annual disclosure of tax returns from the Internal Revenue Service
- B. Shareholder voting on executive compensation (“say-on-pay”) and golden parachutes
- C. Executive compensation disclosures of pay-versus-performance and internal pay equity
- D. A policy providing for the recovery of executive compensation in the event of restatement of company financials

21. The management team of a successful growth company believes that its story is not reaching buy-side investors. What is the next action that an IR professional should take to help reach investors?

- A. Conduct a non-deal roadshow sponsored by a covering broker
- B. Review and update the key messages communicated to the financial community
- C. Develop a targeting strategy for direct communications with buy-side investors
- D. Hire an independent, fee-based corporate access consultant to target new investors

22. A company is known by investors for the high complexity of its operations and growth strategy. What should an IR professional do to more effectively communicate a complex story to investors?

- A. Conduct a non-deal roadshow sponsored by a covering broker.
- B. Review and update the key messages communicated to the financial community
- C. Use concise concepts to summarize and highlight key results
- D. Hire a consultant to assist in the creation of a new investor presentation.

ANSWER KEYS

1. Key: B / Content Area: 1. A. / Cognitive level: APPLICATION / Difficulty level: EASY
2. Key: D / Content Area: 1. A. / Cognitive level: APPLICATION / Difficulty level: MODERATE
3. Key: B / Content Area: 2. C. / Cognitive level: APPLICATION / Difficulty level: MODERATE
4. Key: C / Content Area: 2. E. / Cognitive level: APPLICATION / Difficulty level: MODERATE
5. Key: A / Content Area: 3. A. / Cognitive level: APPLICATION / Difficulty level: MODERATE
6. Key: B / Content Area: 3. B. / Cognitive level: APPLICATION / Difficulty level: MODERATE
7. Key: A / Content Area: 4. B. / Cognitive level: ANALYSIS / Difficulty level: EASY
8. Key: A / Content Area: 4. C. / Cognitive level: APPLICATION / Difficulty level: MODERATE
9. Key: A / Content Area: 5. B. / Cognitive level: APPLICATION / Difficulty level: MODERATE
10. Key: A / Content Area: 5. C. / Cognitive level: APPLICATION / Difficulty level: MODERATE
11. Key: B / Content Area: 6. B. / Cognitive level: APPLICATION / Difficulty level: MODERATE
12. Key: B / Content Area: 6. B. / Cognitive level: APPLICATION / Difficulty level: MODERATE
13. Key: B / Content Area: 7. A. / Cognitive level: APPLICATION / Difficulty level: MODERATE
14. Key: A / Content Area: 7. B. / Cognitive level: APPLICATION / Difficulty level: EASY
15. Key: C / Content Area: 8. A. / Cognitive level: ANALYSIS / Difficulty level: MODERATE
16. Key A / Content Area: 9. A. / Cognitive level: RECALL / Difficulty level: EASY
17. Key: C / Content Area: 9. A. / Cognitive level: RECALL / Difficulty level: EASY
18. Key: A / Content Area: 10. A. / Cognitive level: APPLICATION / Difficulty level: MODERATE
19. Key: A / Content Area: 10. A. / Cognitive level: APPLICATION / Difficulty level: EASY
20. Key: A / Content Area 10.A. / Cognitive level RECALL/ Difficulty level: MODERATE
21. Key: C / Content Area: 10. A. / Cognitive level: APPLICATION / Difficulty level: MODERATE
22. Key: C / Content Area: 10. A. / Cognitive level: APPLICATION / Difficulty level: EASY

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