NACD CERTIFICATION PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://nacdcert.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

SAMPLE

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

SAMPLE

Questions

SAMPLE

1. **On the horizon for compensation committees are changes in the nature of compliance. Which of the following topics is not a compliance topic on the committee's horizon?**

   A. Executive pay ratios

   B. Incentive metrics

   C. Performance-based compensation

   D. Regulatory reporting requirements

2. **In the 2018 Prudential financial proxy, which of the following headlines and information was not included?**

   A. Letter from board to shareholders regarding risk management

   B. Director criteria, qualifications, experience, diversity, and tenure

   C. The environmental, sustainability, and corporate social responsibility overview

   D. Financial projections for the next year

3. **Which of the following metrics would be least useful for a board to monitor management's creation of long-term value?**

   A. Gross sales for the previous quarter

   B. Net profit margin this fiscal year

   C. Market share growth

   D. Customer satisfaction scores

4. **In risk oversight, what is the significance of having diverse viewpoints?**

   A. It complicates decision-making processes.

   B. It fosters creativity and comprehensive risk assessment.

   C. It leads to overly cautious decision environments.

   D. It keeps discussions from straying from financial topics.

5. **A company might choose to go private for which of the following reasons?**

   A. To increase exposure to public investors

   B. To take back control from undesired owners

   C. To avoid competitive market pressures

   D. To increase regulatory oversight

SAMPLE

6. How does a board assess the effectiveness of its governance policies?

A. By having annual evaluations without updates

B. By periodically reviewing and updating them

C. By relying on external audits only

D. By maintaining the same policies indefinitely

7. Which of the following is an inaccurate statement of NACD principles about cyber-risk oversight for directors?

A. Don't proactively put cyber-risk management on the agenda; the topic will eventually surface.

B. Proactively engage with management on cyber-risk management policies.

C. Regularly update the board on evolving cyber threats.

D. Ensure that cyber-risk governance is integrated into overall risk management.

8. Generally, which one does not characterize an approach to skill that will matter the most in the future?

A. Embracing new trends in technology

B. Maintaining the status quo with current skills and abilities

C. Continual learning and adaptation

D. Collaboration and interpersonal skills

9. What describes a recommended structure for a private, family-owned-company board?

A. Directors should primarily be family members.

B. Independence from the family helps prevent conflicts.

C. All directors should be from the same industry.

D. Directors should only be advisors without decision-making power.

10. Why is effective communication crucial for a board of directors?

A. It simplifies decision-making without stakeholder input

B. It enables transparency and builds trust

C. It decreases the number of meetings needed

D. It allows for quicker implementation of decisions

SAMPLE

Answers

SAMPLE

1. B
2. D
3. A
4. B
5. B
6. B
7. A
8. B
9. B
10. B

SAMPLE

Explanations

SAMPLE

1. On the horizon for compensation committees are changes in the nature of compliance. Which of the following topics is not a compliance topic on the committee's horizon?

A. Executive pay ratios

B. Incentive metrics

C. Performance-based compensation

D. Regulatory reporting requirements

The topic of incentive metrics is not typically classified as a compliance issue for compensation committees. Instead, it falls more under the realm of compensation strategy and performance evaluation. Compensation committees are primarily focused on establishing metrics that drive the desired behaviors and outcomes for executive performance, which are closely tied to the company's goals and strategy. In contrast, executive pay ratios represent compliance with regulations that require transparency regarding how CEO pay compares to the median employee pay. Performance-based compensation is also linked closely to regulations that govern how compensation must align with performance to avoid excessive risk-taking and align with shareholder interests. Regulatory reporting requirements are fundamental compliance issues that ensure that organizations meet legal obligations regarding disclosures about compensation practices. Therefore, while incentive metrics are essential for driving executive performance, they do not directly pertain to compliance in the same way that the other options do, making it the correct choice in this context.

2. In the 2018 Prudential financial proxy, which of the following headlines and information was not included?

A. Letter from board to shareholders regarding risk management

B. Director criteria, qualifications, experience, diversity, and tenure

C. The environmental, sustainability, and corporate social responsibility overview

D. Financial projections for the next year

The information regarding financial projections for the next year is typically not included in proxy statements like the one from Prudential Financial in 2018. Proxy statements are primarily focused on governance-related information, such as board activities, risk management, director qualifications, and shareholder proposals. These documents are designed to provide shareholders with the necessary information to make informed decisions about matters presented at the annual meeting. Financial projections, especially those pertaining to specific future periods, are often considered sensitive and speculative in nature. Disclosure of such projections is usually avoided to prevent any potential liability arising from inaccuracies or misrepresentations while also maintaining compliance with securities regulations. As a result, the absence of financial projections in Prudential's 2018 proxy aligns with standard practices in corporate governance and regulatory guidance.

SAMPLE

3. Which of the following metrics would be least useful for a board to monitor management's creation of long-term value?

A. Gross sales for the previous quarter

B. Net profit margin this fiscal year

C. Market share growth

D. Customer satisfaction scores

Monitoring management's creation of long-term value involves assessing how well a company is positioned for sustainable success and profitability over an extended period. While gross sales figures for a specific quarter provide a snapshot of revenue performance, they do not reflect the underlying factors that contribute to long-term value creation. Gross sales can be influenced by short-term promotions or seasonal trends and may not indicate the true health of the business or its potential for future growth. Assessing long-term value requires metrics that offer insights into operational efficiency, customer relationships, and market dynamics over time. In contrast, metrics like net profit margin, market share growth, and customer satisfaction scores provide more valuable insights into the company's performance and prospects. Net profit margin reflects the company's efficiency in converting sales into profit, market share growth indicates competitiveness and market positioning, and customer satisfaction scores can reveal customer loyalty and the potential for repeat business, all of which are critical to sustaining long-term value.

4. In risk oversight, what is the significance of having diverse viewpoints?

A. It complicates decision-making processes.

B. It fosters creativity and comprehensive risk assessment.

C. It leads to overly cautious decision environments.

D. It keeps discussions from straying from financial topics.

Having diverse viewpoints in risk oversight plays a crucial role in fostering creativity and ensuring a comprehensive risk assessment. When a group consists of individuals with varied backgrounds, experiences, and perspectives, it enriches the dialogue around potential risks and enhances the group's ability to identify and evaluate those risks more thoroughly. Different viewpoints can lead to alternative solutions that might not have been considered in a more homogeneous setting. This variety in thought encourages innovative approaches to problem-solving and enables the organization to anticipate a wider range of potential challenges. Furthermore, diverse perspectives can help challenge assumptions and biases, leading to more robust decision-making. In the context of risk management, embracing a range of opinions ensures that all angles are examined, which can lead to more effective strategies to mitigate risks. This collaborative approach ultimately strengthens the organization's resilience and capacity to navigate uncertain environments.

SAMPLE

5. A company might choose to go private for which of the following reasons?

A. To increase exposure to public investors

B. To take back control from undesired owners

C. To avoid competitive market pressures

D. To increase regulatory oversight

Going private can be a strategic move for a company seeking to regain control from shareholders or stakeholders whose interests are not aligned with the company's long-term vision. This often occurs in cases where a public company feels that the necessary decision-making for growth and strategic planning is being hindered by the pressure from public investors who are focused primarily on short-term financial performance. By transitioning to a private structure, management can prioritize long-term objectives without the constant scrutiny and demands of quarterly earnings reports and other public market pressures. In a private setting, the company's leadership can implement changes more freely, make strategic investments, or undertake initiatives that may be disruptive in the short term but are strategically sound for the future. This environment allows for greater flexibility in decision-making and helps to align the focus of ownership and management, ultimately aiming for a more cohesive vision for the company's future.

6. How does a board assess the effectiveness of its governance policies?

A. By having annual evaluations without updates

B. By periodically reviewing and updating them

C. By relying on external audits only

D. By maintaining the same policies indefinitely

The effectiveness of governance policies is best assessed by periodically reviewing and updating them. This approach allows a board to adapt to changing circumstances, regulatory requirements, and best practices in corporate governance. Regular reviews can uncover areas where policies may need adjustment or enhancement to better serve the organization's goals and stakeholders. By engaging in this ongoing assessment process, the board ensures that its governance framework remains relevant and effective, thus reinforcing accountability and transparency. In contrast, relying on annual evaluations without subsequent updates does not promote continuous improvement, as any identified deficiencies might persist unaddressed. Solely depending on external audits limits the board's proactive engagement in governance, potentially overlooking internal factors that require attention. Additionally, maintaining the same policies indefinitely can lead to stagnation, as it does not consider the evolving landscape of governance challenges and opportunities. Therefore, a dynamic and iterative approach to reviewing and updating governance policies is crucial for ensuring effective oversight and leadership within the organization.

SAMPLE

7. Which of the following is an inaccurate statement of NACD principles about cyber-risk oversight for directors?

A. Don't proactively put cyber-risk management on the agenda; the topic will eventually surface.

B. Proactively engage with management on cyber-risk management policies.

C. Regularly update the board on evolving cyber threats.

D. Ensure that cyber-risk governance is integrated into overall risk management.

The chosen answer highlights a fundamental flaw in the attitude that directors should take towards cyber-risk oversight. The statement correctly emphasizes that not putting cyber-risk management proactively on the agenda is a misguided approach. Cyber threats are constantly evolving and can significantly impact an organization, making it crucial for board directors to actively engage with and prioritize these discussions. In the context of NACD principles, the proactive engagement with management is essential as it not only fosters a culture of awareness but also equips directors to make informed decisions based on the latest threat landscapes. Cyber-risk should not be viewed as a secondary concern that will resolve itself; rather, it requires consistent attention and strategic oversight. By neglecting to address this issue actively, boards may expose their organizations to unnecessary risks, potentially leading to severe consequences. The remaining options promote the importance of continuous engagement and adaptation to cyber-risk management, which are key components of effective governance in today's digital landscape.

8. Generally, which one does not characterize an approach to skill that will matter the most in the future?

A. Embracing new trends in technology

B. Maintaining the status quo with current skills and abilities

C. Continual learning and adaptation

D. Collaboration and interpersonal skills

Maintaining the status quo with current skills and abilities does not align with the future demands of the workplace. As industries and technologies evolve at a rapid pace, reliance on outdated skills can hinder an organization's ability to compete and innovate. The future will likely be dominated by those who can embrace new trends in technology, engage in continual learning and adaptation, and foster collaboration and interpersonal skills. These attributes enhance agility in a changing environment, encouraging individuals and organizations to not only keep pace with changes but also to lead them. Therefore, an approach that is stagnant or resistant to change is less likely to thrive in the evolving landscape of work.

SAMPLE

9. What describes a recommended structure for a private, family-owned-company board?

A. Directors should primarily be family members.

B. Independence from the family helps prevent conflicts.

C. All directors should be from the same industry.

D. Directors should only be advisors without decision-making power.

The recommended structure for a private, family-owned company board emphasizes the importance of independence from the family to help prevent conflicts of interest. Having independent members on the board can bring a fresh perspective and objective judgment, which is crucial for sound governance. Independent directors can challenge family members' viewpoints and decisions, leading to more balanced decision-making that considers the long-term sustainability of the company rather than short-term family interests. Additionally, independent directors can also enhance the credibility of the board to external stakeholders, such as investors and lenders, by demonstrating that the company is committed to following best practices in governance. By including individuals with no personal ties to the family, the board can reduce potential biases and conflicts that may arise from familial relationships, thereby fostering a more effective and professional governance structure.

10. Why is effective communication crucial for a board of directors?

A. It simplifies decision-making without stakeholder input

B. It enables transparency and builds trust

C. It decreases the number of meetings needed

D. It allows for quicker implementation of decisions

Effective communication is crucial for a board of directors because it enables transparency and builds trust among board members, management, and stakeholders. Transparent communication ensures that all parties involved are aware of the rationale behind decisions, the current state of affairs, and any challenges faced by the organization. This openness fosters an environment where issues can be discussed candidly, allowing for more informed decision-making. Moreover, when a board demonstrates effective communication, it helps to establish trust not only within the board but also with external stakeholders, such as shareholders, employees, and the wider community. Trust is fundamental in governance, as it encourages collaboration and engagement, which can lead to improved organizational performance and stronger stakeholder relationships. Thus, the ability to convey clear, open, and honest information is not only vital for internal cohesion but also essential for achieving broader organizational objectives and fostering a culture of accountability and ethical behavior.

SAMPLE

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://nacdcert.examzify.com

We wish you the very best on your exam journey. You've got this!

SAMPLE