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Questions & Answers PDF

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Question: 1

The amount of detail desired in the inventory list varies from one appraisal to another, depending upon:

- A. The inventory's importance to the valuation conclusion
- B. The company's write-down value
- C. To the extent to which inventory accounting methods vary within particular industry
- D. The amount of inventory data to be gathered

Answer: A, C

Question: 2

A valuation of the assets can even be important in _____ in which a weighted average cost of capital method is used if the analyst uses the asset base as a determinant of the amount of debt that the company can support.

- A. Labor-intensive companies
- B. Capital-intensive companies
- C. Blue chip companies
- D. Growth companies

Answer: B

Question: 3

When it comes to related party transactions, it is important that the analyst gather:

- A. As much information as is available in order to determine the nature of the transactions and their propriety
- B. Related part transactions information
- C. The list prepared that describes the terms of the transactions
- D. Information regarding loans to and from related parties, leases, or purchases

Answer: A

Question: 4

The analyst should compare the backlog on the valuation date with that on previous dates. Such comparison, especially with the backlog one year prior to the valuation date, is one of:

- A. The company's future prospects
- B. Indication of process continuous process delay
- C. The company's order blockage phenomenon
- D. The future availability of suppliers

Answer: A

Question: 5

The business's capital requirements play a part in the valuation because they are an integral part of estimating net cash flow and dividend-paying capacity. Capital requirements include such items EXCEPT:

- A. Capital expenditures
- B. Remedying deferred maintenance
- C. Increasing working capital
- D. Decreasing prepaid expenses

Answer: D

Question: 6

Capital expenditures are a specific component in the discounted or capitalized net cash flow methods. When using a market comparison approach to valuation, capital expenditure requirements may influence:

- A. Valuation multiples chosen if the subject company's capital expenditure requirements are significantly different relative to guideline companies
- B. Growth in working capital
- C. Excessive or inadequate working capital
- D. Net working capital

Answer: A

Question: 7

Which of the following agreements often restrict the marketability of the subject interests and they can, correspondingly, affect the value of other classes of equity as well?

- A. Buy-sell agreements
- B. Repurchase agreements
- C. Employment agreements
- D. Non-compete agreements

Answer: A, B

Question: 8

The analyst should try to gain an understanding of how the company perceives the industry and the particular aspect within which it operates. Which one of the following is NOT out of such aspects?

- A. What are the nature and rate of technological changes affecting the industry?
- B. How does it try to do the best job of fitting in its niche?
- C. What special industry factors have a bearing on this particular company?
- D. What is the progress and prognosis for new products or services, locations, channels of distribution, etc?

Answer: B

Question: 9

The analyst should be curious about the proprietary products and services, especially:

- A. Benefits attributable to brand name, trademarks copyrights or patents
- B. Favorable supplier contracts
- C. The unique characteristics that generate a comparative advantage over their competition
- D. Intangible assets

Answer: C

Question: 10

In the direct capitalization economic income method, the value of the company is estimated by dividing the expected economic income of company by an appropriate:

- A. Direct capitalization rate
- B. Indirect capitalization rate
- C. Direct discount rate
- D. Indirect discount rate

Answer: A

Question: 11

When the valuation subject is a controlling ownership interest in the company, the existing total compensation less _____ compensation may be considered excess compensation.

- A. Abnormal compensation
- B. Overtime charges
- C. Non-controlling interest
- D. Normal compensation

Answer: D

Question: 12

Proprietary technology is also counted in intangibles such as, a trained and assembled workforce, special know-how, customer relationships, supplier relationships, or other intangible assets that make the company available competitors and give it earning power. Some closely held business owners call these intangibles:

- A. Blue sky
- B. Good will
- C. Patents
- D. A or B

Answer: D

Question: 13

An analysis of fixed and variable expenses will help the analyst understand:

- A. The extent to which increased or decreased volume will affect operating margins

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- B. What can be done to make the company more profitable and what are the associated costs?
C. The lack of compliance with revenues
D. Overfunded and underfunded factors

Answer: A

Question: 14

To get an explanation or interpretation of something on the financial statements, or to consult working papers for details that augment the financial statements, it may be necessary to interview the company's outside independent accountant. This is most often the case when:

- A. The financial statements are not audited
B. Not completely footnoted
C. Contain some kind of unqualified opinion by the independent accountant
D. Contain some kind of unqualified opinion by the attorney and banker

Answer: A, B

Question: 15

_____ are excellent sources of statistical, analysis and projections of regional, national and international economic and financial conditions.

- A. Bank reviews
B. Bank letters
C. Federal reserve bulletin
D. Economic summaries

Answer: B



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