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Question 1

Question Type: MultipleChoice

_____ may apply to publicly traded stock where the size of the block is large enough relative to normal trading volume that it could not be sold in a short time without depressing the market price.

Options:

- A- Discounts for lack of control
- B- Blockage discounts
- C- Discounts for lack of marketability
- D- Contingent liability discounts

Answer:

B

Question 2

Question Type: MultipleChoice

There is no set of number guideline companies to use. However, the more data there are about each company and the greater the similarity between the subject company and the companies chosen as guideline companies, the _____ guideline companies will pass muster.

Options:

- A- Greater
- B- fewer
- C- Average
- D- Depends on selection procedures and industry type

Answer:

A

Question 3

Question Type: MultipleChoice

The court's acceptance, rejection, or relative weight accorded to various valuation approaches and methods generally revolves around some factors. Which of the following are NOT out of those factors?

Options:

- A- The type of company
- B- The quality of available evidence relevant to the respective methods
- C- The prospects for liquidation or continued operations
- D- The subject company's industry norms

Answer:

D

Question 4

Question Type: MultipleChoice

Some companies' articles of incorporation have provisions that if majority shares are sold in a change of control transactions, the majority shareholders must be offered the same price. This relates to:

Options:

- A- Blocking power
- B- Coattail protection
- C- Supermajority vote
- D- State dissolution statutes

Answer:

B

Question 5

Question Type: MultipleChoice

The application of any discounts should always be taken in the context of:

Options:

- A- The level of value that is taken from
- B- The legal documents that control the rights and restrictions of the interest holder
- C- The ultimate rate of return produced for the interest

D- A, B, C

Answer:

D

Question 6

Question Type: MultipleChoice

If one assumes that the business will continue indefinitely as a viable going concern after the number of years for which discrete projections were made, the procedure/s commonly used to estimate the terminal value at the end of discrete projection period is/are:

Options:

A- Capitalization of ongoing economic income

B- An estimated market multiple of the economic income projected for the last year of the discrete projection period

C- Discounted net cash flow available to equity

D- Perpetual growth model using net flow available to equity

Answer:

A, B

Question 7

Question Type: MultipleChoice

Regulated companies usually are regulated because they have a captive market and are in a monopoly position to supply a needed service; thus, their cost of capital should be considerably_____ that that for an average company

Options:

A- Lower

B- Higher

C- Same

D- It depends

Answer:

A

Question 8

Question Type: MultipleChoice

The fundamental risk measures and their correlation coefficient with observed equity risk premiums are as follows EXCLUDING:

Options:

- A- Operating margin
- B- Volatility of earnings or cash flows
- C- Coefficient of variation of return on book value of equity
- D- Coefficient of variation of operating margins

Answer:

B

Question 9

Question Type: MultipleChoice

The direction and magnitude of the company-specific risk premium may be based on an analysis of the some factors. Which of the following is/are out of such factors?

Options:

A- Leverage

B- Size

C- Level of current competition

D- Industry risk

Answer:

A, B, D

Question 10

Question Type: MultipleChoice

The Build-Up model divides the risk premium into its subcomponents and estimates the cost of capital as the sum of the following:

1.A risk-free

2.A risk premium, including one or all of following subcomponents EXCEPT:

Options:

- A- An equity risk premium
- B- A size premium
- C- A company-specific risk premium
- D- Investment-specific risk

Answer:

D

Question 11

Question Type: MultipleChoice

A series of small stock premium studies have been developed by Roger Grabowski and David King. They use eight different measures of size for two major groups (Equity size and Company size). Which of the following is/are measure/s of company size?

Options:

- A- Market value of common equity
- B- Book value of common equity
- C- Market value of invested capital
- D- Number of employees

Answer:

C, D

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