NACVA CVA Mock Exam

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Question 1

Question Type: MultipleChoice

Which of the following assumption is a base for the process of unlevering and relevering betas to an assumed capital structure?

Options:

A- Business interest subject to valuation has the ability to change the capital structure of the subject company
B- Investors are risk averse
C- Subject companies are at market value in this process
D- The amount of debt and equity at market value.

Answer:

A

Question 2

Question Type: MultipleChoice

The purpose/s of requesting financial information, in the valuation process, regarding

equipment lists, aged receivables, aged payables and prepaid expenses is/are:

Options:

A- To give the analyst familiarity with the accounting policies of the company
B- To alert the analyst to special situations that could affect the valuation
C- such information may assist in distinguishing excess invested capital
D- Both A and B

Answer:

D

Question 3

Question Type: MultipleChoice

Whish of the following factor/s is/are most important for the redemption provisions that affect their value?

Options:

A- Call price

B- Whether or not a sinking fund or some other means of financing the redemption is established

C- Issuing company's financial ability to cash out the preferred shares without some sort of redemption fund.

D- Redemption methods

Answer:

D

Question 4

Question Type: MultipleChoice

Basic ways of approaching the valuation of non-controlling ownership interests are the following EXCEPT:

Options:

A- The discount approach

B- The direct comparison approach

C- The market-based approach

D- The bottom-up-approach (income approach)

Answer:

C

Question 5

Question Type: MultipleChoice

Financial risk is measured in the following ways EXCEPT:

Options:

A- Through calculating the degree of financial leverage

B- Through calculating various leverage ratios

C- Standard deviation of net income

D- Calculating the level of company's fixed operating income

Answer:

A, B

Question 6

Question Type: MultipleChoice

It is highly unlikely, in formula approaches for setting the price in a buy-sell agreement, that the price established by a formula at the time of signing will be even close to the value of the interest at the time of triggering event, which could be many years later. For these reason analysts:

Options:

A- Highly encourage the use of formulas in high-sell agreements

B- Highly discourage the use of formulas in high-sell agreements

C- Allow flexibility in approach

D- Do not allow flexibility in approach

Answer:

B

Question 7

Question Type: MultipleChoice

Calculating the volatility of the underlying stock is more complicated. Volatility is the standard deviation is the price of underlying stock. The volatility used in the Black Scholes model is the total volatility of the underlying stock's price. It is not its bets, which measures

Options:

A- The relative movement of the stock's price to the market

B- That the stock's price changes are relatively constant

C- Implied volatility

D- The number of outstanding shares of the issuer

Answer:

A

Question 8

Question Type: MultipleChoice

Situations commonly requiring the valuation of option are all of the following EXCEPT:

Options:

A- When the option is designed, granted exchanged, or terminated

B- When financial statement disclosure requires that the option value is recognized

C- When the option value is at issue in a damage suit, such as a breach of contract suit between an existing or former executive and the issuing company

D- When the option is a repurchased option by the OTC market

Answer:

D

Question 9

Question Type: MultipleChoice

Unfortunately, the term enterprise value is used, at best, very ambiguously and, at worst, very carelessly. It means different things to different people, each of whom many believe that his or her definition is the right definition. It is generally used to represent some sort of ________of the company and is often used as a synonyms for_______.

Options:

A- Average value, Market value
B- Aggregate value, Market value of invested capital (MVIC)
C- Partial interest, Aggregate value
D- Specific ownership interest subject to appraisal, Equity or invested capital

Answer:

B

Question 10

Question Type: MultipleChoice

One unique aspect of the valuation provision in a Bu-Sell agreement, as opposed to other valuation problems, is the extreme uncertainty concerning when a future event that triggers a transaction under the agreement will occur. This is one of the key reasons why:

Options:

A- Is no single approach to the problem of establishing the price?
B- Is no single method for a buy-sell agreement that one can recommend as completely satisfactory for all situations
C- There is no negotiation among the parties
D- Independent outside appraisal

Answer:

A, B