NACVA CVA Practice Questions

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Question 1

Question Type: MultipleChoice

Qualitative factors might also cause the required yield to be higher or lower than that based solely on the quantitative ratio analysis. Whish of the following is NOT out of such quantitative factors?

Options:

A- The competitive environment in the industry
B- Depth and competence of management
C- Trends in diversification of revenue sources
D- Trends in diversification of strategies

Answer:

D

Question 2

Question Type: MultipleChoice

Most typically, a company, or some or all of its stock, is to be sold and a debt security received as all or part of the consideration. The seller needs to know the cash-equivalent value of the consideration being received in return for the company or stock being given up. It is uncommon for notes or other debt securities issued in connection with the acquisition of a company to have a cash equivalent value of _____ the securities value.

Options:

A- 20 percent of
B- 20 percent more or below
C- 20 more than
D- 20 percent below

Answer:

B

Question 3

Question Type: MultipleChoice

When using the elements of both the asset accumulation method and the capitalized earnings method in the same valuation, the analyst should pay particular attention to the selection of:

Options:

A- The required rates of return
B- The capitalization rates used in the excess earning component of the valuation
C- Identification of assets and liabilities on cost basis
D- Both A and B

Answer:

D

Question 4

Question Type: MultipleChoice

Valuation of _____must be specified. For example, the assignment might include language such as'' ...engaged to estimate the fair market value of the fixed assets, inventory, and goodwill, on a going-concern basis of...''

Options:

A- Assets
B- Securities
C- Cooperatives
D- Partnerships

Answer:

A

Question 5

Question Type: MultipleChoice

Various transactional and taxation events may occur that change the taxpayer's original basis in the property. These events usually _____the original basis.

Options:

A- Increase
B- Decrease
C- Increase or decrease
D- It depends

Answer:

C

Question 6

Question Type: MultipleChoice

As with any secondary sources, errors and inconsistencies occur, so the original source documents are the only guarantees of absolute accuracy as a source of merger and acquisition dat a. Which one of the following is NOT out of those original source documents?

Options:

A- Mergerstat Review
B- The merger yearbook
C- Buyouts, published every other week by securities data publishing
D- Financial reports

Answer:

D

Question 7

Question Type: MultipleChoice

Control shares are normally more valuable than minority shares because they contain a bundle of rights that minority shares do not enjoy. Below is a list of some of the rights. Which option

best is NOT out of such rights?

Options:

A- Appoint or change operational management
B- Determine management compensation and prerequisites
C- Set operational and strategic policy and change the course of business
D- Negotiate and consummate goodwill

Answer:

D

Question 8

Question Type: MultipleChoice

The capital stock of a corporation, its net assets and its share of stock are entirely different things... the value of one bears no fixed or necessary relation to the value of the other; because:

Options:

A- A share of common stock does not represent a share in the ownership of the assets of a business.
B- Share holders are only concerned with dividends
C- Only the corporation itself holds to all its assets and liabilities ... A thirsty shareholder of brewery cannot walk into ''his'' company and demand that a case of beer be charged to his equity account
D- Putting capital in stocks is somewhat a risky investment

Answer:

A, C

Question 9

Question Type: MultipleChoice

_____ list can yield insight into the company's profitability, liquidity and even viability. However, many relatively small companies do not prepare them.

Options:

A- Receivables list
B- Aged receivables list
C- Prepaid expense list
D- Inventory list

Answer:

B

Question 10

Question Type: MultipleChoice

Normally, the business will realize the economic benefit of the prepaid expenses within the normal course of one business cycle. Therefore, normally:

Options:

A- Revaluation adjustment is required
B- No revaluation adjustment is required
C- No revaluation adjustment is required with respect to recorded prepaid expenses
D- Revaluation adjustment is required with respect to recorded prepaid assets

Answer:

C

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