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**QUESTION 1**

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

Correct Answer: A

QUESTION 2

A common first step in ratio analysis of financial statements is to prepare what are sometimes called _____. On these statements, each line item is expressed as a percentage of the total. For example, on the balance sheet, each line is shown as a percentage of total assets.

- A. Pre-analysis statements
- B. Common-size statements
- C. Short-term analysis
- D. Status diagnosis analysis

Correct Answer: B

QUESTION 3

The market approach, income approach, and asset approach, or a combination of these, are all used to value marital property, but the courts seem to be leery of:

- A. New approaches that have not gained wide acceptance in the valuation community.
- B. New approaches that have gained wide acceptance in the valuation community.
- C. New approaches and old approaches that have not gained wide acceptance in the valuation community.
- D. Evidence of sale of comparable practice\'

Correct Answer: A

QUESTION 4

"Tag along rights" are Buy-Sell agreements which:



- A. Often call for the sales of interest on the same terms if the controlling owner sells
- B. Have become more common these days
- C. Allow the issuer first priority to buy the interest and other stockholders or partners the second-place option to buy
- D. Both A and B

Correct Answer: D

QUESTION 5

Many cost items fall into a "_____ ", in which the decision to expense or to capitalize the expenditures is subjective. One such decision is the dividing line between maintenance expenditures, which are expenses and capital improvements, which are capitalized.

- A. White area
- B. Gray area
- C. Red area
- D. White and gray area

Correct Answer: B

QUESTION 6

The practical effect/s of Special Valuation Rules is/ are:

- A. Cumulative dividends or distribution rights
- B. Non-voters having voting rights
- C. Flexible and optional redemption rights
- D. Non-lapsing conversion rights

Correct Answer: AD

QUESTION 7

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

- 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

Correct Answer: D

QUESTION 8

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

- 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

Correct Answer: B

QUESTION 9

Buy-sell agreement in which issuing corporation or partnership buys the interest from the transferring party or from the deceased party is called:

- A. Repurchase agreement
- B. Entity purchase agreement
- C. Redemption agreement
- D. Cross purchase agreement

Correct Answer: ABC

QUESTION 10

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

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

Correct Answer: C

**QUESTION 11**

The advantages of searching online valuation information include all of the following EXCEPT:

- A. Faster and more efficient information retrieval than is usually possible in printed sources
- B. The ability to combine different facets of a subject in a single search statement
- C. To get maximum benefit from industry and economic research
- D. The ease of searching several databases in sequence to produce a comprehensive survey of the available literature

Correct Answer: C

QUESTION 12

When is the guideline merged and acquired company method most useful?

- A. The initial value derived from the guideline merged and acquired company method, before adjustment for factors such as size of subject block and degree of marketability, is an indication of transaction prices of major ownership interest, usually controlling ownership interests.
- B. When same acquisition target has different buyers both due to perception and reality
- C. At the time of achieving synergies
- D. In estimation of enterprise value

Correct Answer: A

QUESTION 13

Book value per share is based on the number of shares outstanding at the end of accounting period rather than the weighted average used in computing earnings per share. Also, book value normally is computed without considering:

- A. Treasury stock
- B. Possible dilutive effects of conversions
- C. Maximum potential dilution
- D. Anti-dilutives and their effects

Correct Answer: B

QUESTION 14

_____ is a specialized classification of intangible and its categories are creative (e.g. copyrights) and innovative (e.g. patents).

- A. Intellectual properties



- B. Intellectual capital
- C. Both A and B
- D. Intellectual rights

Correct Answer: A

QUESTION 15

The special characteristics of the preferred stock that we typically encounter include all of the following EXCEPT:

- A. Dividend rate
- B. Liquidation preference
- C. Cumulative versus noncumulative dividends
- D. Convertible versus nonconvertible rights into preferred equity

Correct Answer: D

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