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**QUESTION NO: 1**

Fisher Black developed a technique to value American stock options using the Black- Scholes model called the pseudo-American call option model. The steps in the method are as follows

EXCEPT:

- A.** Compute the adjusted market price of the stock by deducting the present value, using the riskfree rate, of the future dividends payable during the remaining life of the option
- B.** For each pseudo-option assumed to expire on a dividend date, deduct from the exercise price of the option the dividend payable on the date and the present value, using the risk-free rate, of all the remaining dividends to be paid after the dividend date during the term of the option
- C.** Select the European option with the highest value as the value of the American option
- D.** Using the Black-Scholes model, compute the value of each of the pseudo-options using unadjusted underlying stock price.

**ANSWER: D****QUESTION NO: 2**

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 NO: 3**

Due to these complexities, for practical purposes it is acceptable to use the ratio as we defined it. However, the analyst is well advised to research:

- A.** the subject companies' use of short-term debt
- B.** the guideline companies' use of short-term

- C. Both the subject and guideline companies' use of short-term debt to determine whether to adjust this ratio to include all interest-bearing debt
- D. Whether to adjust this ratio to include all interest-bearing debt

**ANSWER: C**

#### QUESTION NO: 4

The sales comparison approach is based on the economic principles of:

- A. Efficient markets
- B. Special financing and other terms regarding each sales transactions
- C. Age of each property
- D. Supply and demand

**ANSWER: A D**

#### QUESTION NO: 5

When specifying, who is to provide the valuation services, the important distinction is whether the client is retaining the appraisal firm itself or the individual appraiser employed by the firm. The common practice is:

- A. To retain the individual appraiser rather than the firm
- B. To retain the firm rather than individual appraiser, even though the expert witnesses testify based upon their individual expertise and opinions
- C. To retain the individual since the firm is responsible for completing the assignment regardless of impairment the individual's capability to perform the work
- D. To retain firm as such practice also tends to provide discontinuity in retention of working papers and related records, marking them accessible if they are needed months or even years later as they frequently are

**ANSWER: B**

#### QUESTION NO: 6

One of the most important tools for conducting a business valuation thoroughly and on a timely basis is a proper schedule. Most first-time, or in frequent, business valuation clients (and their attorneys) tend to underestimate the amount of lead time necessary for the appraiser to prepare a thorough and professional opinion. Scheduling problems often arise because:

- A. The client delays in committing to the project hoping that the valuation problem will go away.
- B. A major change in some aspect of assignment midway through the project
- C. The client is not having awareness regarding valuation standards and selection criteria
- D. Of some external pressures on the client

**ANSWER: A B**

#### QUESTION NO: 7

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

**ANSWER: A D**

#### QUESTION NO: 8

Financial risk is measured in the following ways EXCEPT:

- 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 NO: 9

The value of an asset is the present value of its expected returns. Specifically, you expect an asset to provide a stream of returns during the period of time you own it. To convert this estimated stream of returns to a value for the security, you must discount this stream at your required rate of return. This process requires estimates of (1) the stream of expected returns and (2) the required rate of return on the investment. Value today always equals future cash flow discounted at the opportunity cost of capital. This is actually:

- A. Theory of valuation
- B. Theoretical and practical soundness of the valuation approach
- C. Return on investment
- D. Leverage ratios

**ANSWER: A**

**QUESTION NO: 10**

"Fair value" means the value of the corporation's shares determined:

- A. Immediately after the effectuation of the corporate actions to which the shareholder objects
- B. Using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisal
- C. Without discounting for lack of marketability or minority status except, if appropriate, for amendments to the articles...
- D. That the majority states use the pre-1999 definition

**ANSWER: B C**

**QUESTION NO: 11**

An interesting form of debt security, known as \_\_\_\_\_, allows the issuer to avoid paying cash to the debt holder for interest prior to the debt's maturity. The only cash payment from the debt issuer comes at maturity, when the debt's face value is repaid to security holder.

- A. Callable bonds
- B. Zero coupon debt
- C. Convertible debt
- D. Collateral provisions

**ANSWER: B**

**QUESTION NO: 12**

Discounts for contingent liabilities can cover a wide range of spectrum, such as:

- A. Environmental liabilities

- B. Pending lawsuits
- C. Liability for controlling ownership interest
- D. Both A and B

**ANSWER: D**

#### QUESTION NO: 13

The instances and factors contributing to inadequate valuations for tax purposes by both taxpayer and IRS experts could easily fill an entire book of this size. Some of the most common inadequacies are the following EXCEPT:

- A. The valuation is out of date
- B. Lack of site visits and/or management interviews
- C. Inadequate selection and/or analysis/explanation of selected (e.g. pricing multiples, discount/ capitalization rates, discounts/premiums)
- D. Unsuccessful Daubert challenges

**ANSWER: D**

#### QUESTION NO: 14

Most of the mechanisms for setting prices in buy-sell agreements generally fall into one or a combination of following categories EXCEPT:

- A. Some type of formula based on the financial statements such as book value, some combination of such variables
- B. Negotiation among the parties
- C. Independent outside appraisal
- D. Ambiguity as to the applicable valuation date

**ANSWER: D**

#### QUESTION NO: 15

The United State is by far the world leader in markets for both publicly traded securities and closely held businesses and business interests. Two factors have combined to accelerate the spread of U.S technology in financial appraisals and market throughout the world. Which of the following is/are of those factors?

- A. Rapidly increasing international flow of capital
- B. Growing privatization of formerly socially owned businesses in almost every country of the world.
- C. Increased inflation in major parts of the world
- D. Secondary market securities trading phenomenon

**ANSWER: A B**