

# CVA<sup>Q&As</sup>

Certified Valuation Analyst (CVA)

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### QUESTION 1

Which of the following is the primary disadvantage of the asset accumulation method?

- A. If taken to an extreme, it can be very expensive and time consuming
- B. It may necessitate the involvement of appraisal specialists in several asset valuation disciplines
- C. The valuation requires the valuation of all the company assets
- D. The value of all assets, properties, or business interests depends on their economic income-generating capacity

Correct Answer: A

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### QUESTION 2

For valuation purposes, the measurement of economic income to be analyzed can be defined in several different ways. Different measurements of economic income that are commonly analyzed in this approach include the following EXCEPT:

- A. Payouts (e.g. dividends, interest, security sales proceeds, or partnership withdrawals)
- B. Cash flow (often measured as net cash flow)
- C. The discount rate
- D. Some measure of accounting earnings (often net income or net)

Correct Answer: C

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### QUESTION 3

Imagine that an investor in the common stock of a company has two choices, either to (1) buy 100 shares of a company's common stock at \$10 per share or (2) to purchase a call for \$125 to purchase 100 shares at the same \$10 price at the end of nine months. If the investor chooses to buy the stock, the investor must pay \$1,000 immediately and is at risk for the entire \$1,000 investment. If the investor chooses to purchase the call option, the investor will pay only \$125 immediately and can wait until the option's expiration date to decide whether or not to buy the stock for an additional \$1,000. The investor's risk is limited to \$125. If the option is \_\_\_\_\_, the option will be exercised. If it is \_\_\_\_\_, the option will simply lapse.

- A. In-the-money, Out-of-the-money
- B. At-the-money, Out-of-the-money
- C. At-the-money, In-of-the-money
- D. At-the-money, At-of-the-money

Correct Answer: A

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**QUESTION 4**

Depletion is relatively easy to define; it is very difficult to measure. Because of:

- A. Percentage depletion
- B. Unrelated depletion methods
- C. Reasonable estimates can be subject to wide variations
- D. None of these

Correct Answer: C

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**QUESTION 5**

There are some factors that determine whether the buy-sell agreement is conclusively binding for estate tax purposes. Which of the following is/are out of those factors?

- A. The agreement must restrict the transfer of the securities to the buy-sell price during the owner's life as well as at death.
- B. There must be a valid business purpose for establishing the agreement
- C. The value may not reflect those typical of arm's length transactions in the subject company's industry
- D. The value established in the agreement must have been an adequate and fair price at the time the agreement was executed

Correct Answer: ABD

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