Certificate in Corporate valuation

(Mock Test)

1.) The nation output is measured at _

A. Production Prices

B. Market prices

C. Cost prices

D. Wholesale prices

2.) Which of the following is a revenue receipt?

A. Grant from the World Bank

B. Public Issue of shares

C. Loan from the international Monetary Fund

D. Borrowing from the public

3.) What is the relation between fiscal deficit (FD) and primary deficit (PD)?

A. PD = FD - Depreciation

B. PD=FD - Interest payments

C. FD=PD - Interest payments

D. FD=PD – Depreciation

4.) Private ownership of property and resources is a characteristic of _

A. Socialist

B. Command

C. Market

D. Traditional

5.) Which of the following may not be a part of projected financial statements?

A. Income statements

B. Cash Flow Statements

C. Balance Sheets

D. Trial Balance

6.) Securities issued by companies are traded in ___

A. Secondary market

B. Primary market

C. Tertiary market

D. Derivatives market

7.) As an independent valuer, the valuer should not charge _____

A. Legal

B. Mandate

C. Success

D. Professional

8.) If debt equity ratio is 3:1 the amount of total assets are Rs.20 lakh; current ratio 1.5:1 and owned funds are Rs.3 lakh. What is the amount of current assets?

A. Rs. 5 lakh

B. Rs. 3 lakh

C. Rs. 12 lakh

D. Rs. 15 lakh

9.) Which of the following is not a cash inflow?

A. Decrease in creditors

B. Decrease in debtors

C. Issue of shares

D. Sale of fixed assets

10) Who is the authority for registration of valuers under the Companies (Registered Valuers and Valuation) Rules, 2017?

A. MCA

B. IBBI

C. NFRA

D. NCLT

11.) Which of the following is not a prescribed asset class under the Companies (Registered Valuers and Valuation) Rules, 2017?

A. Securities or Financial Assets

B. Plant and machinery

C. Enterprise

D. Land and buildings

12.) Which of the following is not eligible to be registered as a valuer?

A. Registered partnership Firm

B. Limited Liability partnership

C. Limited liability company

D. Hindu Undivided Family

13.) A person appointed by an agent to act for the principle is called ___

A. Agent

B. Substitute agent

C. Sub-agent

D. Pretended agent

14.) ‘Let the Buyer Beware’ refers to:

A. Caveat Emptor

B. Caveat venditor

C. Exmtor Venditor

D. Unfair Trade Practices

15) How is stamp duty paid in transactions where more than one instrument is required?

A. Stamp Duty is paid on all the instruments equally

B. Stamp duty is paid only on one of the principal instruments and on the balance documents only minimum duty is payable

C. Stamp Duty is paid on any one of the instrument

D. Stamp duty is paid on ad valorem basis

16) As per the Competition Act, 2002, the sale of goods at a price, which is below the cost of Production with a view to eliminate the competitors is called______.

A. predatory price

B. preparatory price

C. entry barrier price

D. exit barrier price

17) An agreement among the companies at the same level of the production chain is called_____in competition parlance.

A. vertical agreement

B. horizontal agreement

C. transparent agreement

D. cross agreement

18.) As per section 40(b) of the Income Tax Act, 1961, upto____% per annum simple interest on capital is allowed towards remuneration of working partners.

A. 6

B. 15

C. 12

D. 16

19.) Under the Insolvency and Bankruptcy Code, 2016, debts owed to a secured creditor in the event such secured creditor has relinquished security ranks equally with .

A. Insolvency resolution process costs

B. Dues to Central Government

C. wages and any unpaid dues owed to employees other than workmen for the period of twelve months preceding the liquidation commencement date

D. Workmen's dues for a period of 24 months prior to liquidation commencement date.

20.) Which of the following situations would invoke "question of law"?

A. Disputing parties do not agree to the valuation arrived by the valuer.

B. Disputing parties do not agree to choice of the selected valuer.

C. Valuer has departed from the well accepted principles of valuations.

D. Valuer did not submit its report within the time.

21.) Karan bought 1000 share of ABC Limited at Rs.910 through his broker excluding brokerage and taxes. However, the current market price of that share is Rs.915. Here, the amount of Rs.915 reflects_____.

A. Value of share

B. Cost of investment

C. Investment value

D. Price of transaction

22.) Value of a firm is usually based on_____.

A. The value of debt and equity

B. The value of assets and liabilities

C. The value of debt

D. The value of equity

23.) An analyst is valuing a firm's equity using the ‘Enterprise Value to Revenue Ratio’ of similar firms. Which of the following is not a factor that the analyst should use?

A. Revenue growth

B. Debt Equity ratio

C. EBITDA margins

D. Expected return

24.) What adjustment is made while using the Discounted Cash Flow method to value cyclical Companies?

A. Use high discount rate

B. Use bank rate for discounting

C. Normalize earnings

D. Use high growth rate

25) XYZ Company has 50 lakh shares outstanding and plans to raise Rs.20 lakh by offering 10 Lakh shares at Rs.2 per share. What is XYZ's post-money valuation?

A. Rs.1.20 crore

B. Rs.1 crore

C. Rs.50 lakh

D. Rs.2 crore

26.) During a merger and acquisition transaction, the ability to find and use good comparable data for a valuation is relatively_.

A. Easy because each successful company within an industry uses the same ratios

B. Easy because public stock price fluctuation is not sufficient or erratic enough to make a difference

C. Difficult because book value is adjusted in small companies as FIFO is the method of
choice and in public companies' book value is static due to LIFO

D. Difficult because size differential, management depth, product diversity and access to lines of credit seldom match the company being valued

Attempt Questions 27-30 based upon the following case study:

Mr. Dev., a research analyst, has been hired to value RC Ltd., a company that is currently experiencing rapid growth and expansion. Dev is an expert in the communications industry and has had extensive experience in valuing similar firms. He is convinced that a value for the equity of RC Ltd. can be reliably obtained through the use of a three-stage free cash flow to equity (FCFE) model with declining growth in the second stage. Based on up-to-date financial statements, he has determined that the current FCFE per share is Rs.1.00. He has prepared a forecast of expected growth rates in FCFE as follows:

Stage 1: 8% for years 1 through 3

Stage 2: 7.0% in year 4, 6.5% in year 5, 6.0% in year 6

Stage 3: 4.0% in year 7 and thereafter

Moreover, Dev has determined that the company has a beta of 1.6. The current risk-free rate is 3.0%, and the equity risk premium is 5.0%. Other financial information:
Outstanding shares: 100 lakh shares

Tax rate: 40.0%

Interest expense: Rs.30, 00,000

27.) The required rate of return is closest to_____.

A. 10.012%

B. 7.062%

C. 0.062%

D. 11.065%

28.) The terminal value in year 6 is closest to_____.

A. Rs.22.57

B. Rs.20.42

C. Rs.24.30

D. Rs.25.70

29.) The per share value Dev should assign to RC Ltd. is closest to____.

A. Rs.15.35

B. Rs.17.35

C. Rs.20.86

D. Rs.18.46

30.) The free cash flow to the firm (FCFF) is closest to___.

A. Rs.130 lakh

B. Rs.112 lakh

C. Rs.124 lakh

D. Rs.118 lakh

Answers

1. B	2. A	3. B	4. C	5. D	6. A
7. C	8. C	9. A	10.B	11.C	12.D
13.C	14.A	15.B	16.A	17.B	18.C
19.D	20.C	21.A	22.D	23.B	24.C
25.A	26.D	27.C	28.A	29.B	30.D