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## CVA Exam

Certified Valuation Analyst (CVA)

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Questions  
& Answers

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**Question: 1**

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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

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**Answer: A, B**

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**Question: 2**

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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

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**Answer: B**

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**Question: 3**

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S corporations, limited liability corporations, limited liability partnerships, family limited partnerships, professional corporations, real estate investment trust, investment companies registered under the investment company act of 1940 and personal holding companies are the examples of:

- A. General and limited partnerships
- B. Cooperatives
- C. Entities' structures giving rise to special legal or tax considerations (specified structure)
- D. Companies following valuation standards

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**Answer: C**

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**Question: 4**

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The definition of specific business interest can be broken down into two broad questions:

- 1)-Is the valuation to be a valuation of assets or a valuation of securities?
- 2)-In either case, exactly what assets or what securities are subject to valuation? By securities in above context, we mean:

- A. Ownership interests; such as marketable securities and commercial papers
- B. Ownership interests; such as stock, debt and partnership interests
- C. Partnership interests
- D. Equity or invested capital

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**Answer: B**

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**Question: 5**

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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..."

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

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**Answer: A**

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**Question: 6**

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Which one of the following is NOT always clearly defined? Therefore, if the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

- A. Enterprise value
- B. Partial interest
- C. Invested capital
- D. Securities

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**Answer: C**

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**Question: 7**

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Unfortunately, the term enterprise value is used, at best, very ambiguously and, at worst, very carelessly. It means different things to different people, each of whom many believe that his or her definition is the right definition. It is generally used to represent some sort of \_\_\_\_\_ of the company and is often used as a synonym for \_\_\_\_\_.

- A. Average value, Market value
- B. Aggregate value, Market value of invested capital (MVIC)
- C. Partial interest, Aggregate value
- D. Specific ownership interest subject to appraisal, Equity or invested capital

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**Answer: B**

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**Question: 8**

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The primary ownership interest characteristics that need to be addressed in almost every business valuation are the following EXCEPT:

- A. Control or minority valuation basis (not necessarily a black-and-white issue \_\_\_\_ there may be elements of control without absolute control)
- B. Degree of marketability
- C. Fair market value
- D. Fair market value on a nonmarketable, non-controlling ownership interest basis.

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**Answer: C, D**

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**Question: 9**

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In most business valuations, the opinion of value will be based at least partly on other, similar transactions, such as:

- A. Prices at which stocks are denominated
- B. Degree of marketability
- C. Prices at which stocks in the same or a related industry are trading in the public market relative to their earnings, assets, dividends or other relative variables
- D. Black-or-white issues

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**Answer: C**

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**Question: 10**

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In a marital dissolution the parties may be concerned with the change in value that occurred during the marriage. In estate cases, the trustee, the executor, or personal representative will consider adopting the "alternative valuation date" (i.e. six months after the date of death) to determine which is more advantageous. These are the examples of:

- A. Situations identifying valuation date
- B. Situations having more than one valuation dates
- C. Litigated cases
- D. Universally applicable methods to finalize valuation date

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**Answer: B**

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**Question: 11**

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In \_\_\_\_\_ cases, the valuation date itself is an issue to be resolved by the court. In such situations, the appraiser must be prepared to address the valuation as of several dates, sometimes without knowing which date the court determined to be relevant until after the judgment is rendered. Since the choice of valuation date in such cases is a legal matter.

- A. Litigated cases
- B. Estate tax cases
- C. Enterprise value identification cases
- D. Cooperatives

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**Answer: A**

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**Question: 12**

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Valuation reports should contain a set of limiting conditions, and one of the typical limiting conditions is as follows:

- A. Legal and estate tax factors
- B. The valuation is valid only for the valuation date or dates specified herein. No other purpose is intended or should be inferred
- C. Litigation over business valuation is commonplace
- D. The purpose of the valuation encompasses the use to which the valuation exercise is expected to be put

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**Answer: B**

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**Question: 13**

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“The amount at which property would change hands between a willing seller and a willing buyer, when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts”. This definition is related to:

- A. Investment value
- B. Fair market value
- C. Litigation value
- D. Standard of value

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**Answer: B**

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**Question: 14**

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“Market value is the most probable price which a property should bring in a complete and open market under all conditions requisite to fair sale the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.” Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions/s whereby:

- A. Buyer and seller are typically motivated
- B. Both parties are well informed or well advised and acting in what they consider their best interests
- C. A reasonable time is allowed for exposure in the open market
- D. Differences in financing costs and tax status

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**Answer: A, B, C**

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**Question: 15**

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Virtually, all businesses or interests in businesses may be appraised under some alternative premises of value. Which of the following is not out of those premises?

- A. Value as a going concern
- B. Value as an assemblage of assets
- C. Value as an orderly disposition
- D. Value as a sudden liquidation

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**Answer: D**

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