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QUESTION 1

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 2

A unique feature of Merger stat/Shannon Pratt's control premium study is a transaction code by type of transaction. i.e.:

- A. F- Financial H-Horizontal integration V-Vertical integration C-Conglomerate
- B. F- Financial H-Hedged Value V- Vertical integration C- Corporations
- C. F- Funds H- Horizontal value V- Vertical value C- Control value
- D. C- Control and control risk H- Hedging F- Financial V-Vulnerability

Correct Answer: A

QUESTION 3

There are some allowable methods for determining the basis of property received in exchange for other property. Which of the following is/are out those methods?

- A. Income basis of tax on the property
- B. If a taxpayer receives property for services, then the original basis of the property when it is received is its original price
- C. The basis is the fair market value of the property exchanged for it, increased by any payments made or decreased by any payments received, when the two properties are of unequal value
- D. The basis is the fair market value of the property when it is received

Correct Answer: CD

QUESTION 4

_____ 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 5

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- A. The valuation is out of date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

Correct Answer: D

QUESTION 6

1. Dissenting stockholder actions. 2. Minority oppression actions. Either may be accompanied by claims of breach of fiduciary duty. These are the actions brought by:

- A. Minority shareholder
- B. Majority shareholders
- C. OTC Trading
- D. Short Selling

Correct Answer: A

QUESTION 7

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

Correct Answer: AB

QUESTION 8

If the funding of the forgoing requirements has been provided for through life insurance taken out in prior years that insurance should be reviewed as to both amount and type. The necessary amounts of insurance can change for several reasons. All of the following are those reasons EXCEPT:

- A. Inflation
- B. Increased value of the business
- C. Makeup of business ownership
- D. Potential earnings

Correct Answer: D

QUESTION 9

The IRC limits an individual taxpayer's charitable deduction each year to a percentage of adjusted gross income, depending on:

- A. The value of gift
- B. The type of gift
- C. The fair market price of gift
- D. Valuation advisories

Correct Answer: B

QUESTION 10

This is sometimes considered the accumulation of all other elements of economic value of business enterprise not specifically with (or allocated to) individual tangible and intangible assts. Its analysis and qualification is an important component in the application of asset accumulation method to a company like Seller. What is this?

- A. Trademark
- B. Goodwill
- C. Patents

D. Copyrights

Correct Answer: B

QUESTION 11

If the seller is in a low tax bracket and the buyer in a high one, it may be advantageous to:

- A. Structure the program to increase the interest rate and lower the price
- B. Structure the program to increase the interest rate and increase the price
- C. Structure the program to decrease the interest rate and increase the price
- D. Structure the program to decrease the interest rate and decrease the price

Correct Answer: A

QUESTION 12

The court's acceptance, rejection, or relative weight accorded to various valuation approaches and methods generally revolves around some factors. Which of the following are NOT out of those factors?

- A. The type of company
- B. The quality of available evidence relevant to the respective methods
- C. The prospects for liquidation or continued operations
- D. The subject company's industry norms

Correct Answer: D

QUESTION 13

Documentable, arm's-length, bona fide offers to buy or sell may also be useful evidence of value. Funded bona fide offers (i.e. offers for which the financing for the offer is already in place) should be given more weight and more consideration than:

- A. Past subject company changes
- B. Merger and acquisition offers
- C. Unfunded bona fide offers
- D. Past acquisition documents by the subject company

Correct Answer: C

QUESTION 14

A series of small stock premium studies have been developed by Roger Grabowski and David King. They use eight different measures of size for two major groups (Equity size and Company size). Which of the following is/are measure/s of company size?

- A. Market value of common equity
- B. Book value of common equity
- C. Market value of invested capital
- D. Number of employees

Correct Answer: CD

QUESTION 15

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

Correct Answer: B

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