

## Session 1: Post Class tests

1. Which of the following assets is best suited for intrinsic valuation?
  - a. A finite life asset with no cash flows associated with it
  - b. An infinite life asset with no cash flows associated with it
  - c. An asset with uncertain cash flows over any life period
  - d. An asset with cash flows contingent on an event happening
  - e. None of the above
2. What type of investor will get the biggest payoff from using intrinsic valuation?
  - a. An investor with a short time horizon that believes that markets are always wrong.
  - b. An investor with a long time horizon that believes that markets are always wrong.
  - c. An investor with a short time horizon that believes that markets make mistakes on pricing but that they correct them over time.
  - d. An investor with a long time horizon that believes that markets make mistakes on pricing but that they correct them over time.
  - e. An investor that believes that markets are always right.
3. Which of the following assets is best suited for relative valuation?
  - a. An untraded, unique asset with nothing comparable or similar to it.
  - b. An traded, unique asset with nothing comparable or similar to it.
  - c. An asset that is similar to other assets, none of which have traded prices.
  - d. An asset that is similar to other assets, many of which are traded at regular intervals.
  - e. None of the above
4. One argument that is used by those who use multiples/relative valuation is that there are fewer assumptions in relative valuation than in intrinsic valuation. Is this true or false?
  - a. True
  - b. False
5. When you use an option-pricing model to value businesses, which of the following statements best characterizes what you are trying to do.
  - a. Replacing the value from a discounted cash flow model with that from an option pricing model
  - b. Augmenting (adding on to) the value from a discounted cash flow model with an option premium
  - c. Reducing (discounting) the value from a discounted cash flow model with an option discount.
  - d. None of the above