Session 2: Post Class tests

1. In a financial balance sheet, we break the assets of a business down into assets in place and growth assets. Which of the following is the best way of estimating the value of asset in place?
    a. Accounting book value of assets
    b. Market capitalization of the company
    c. Enterprise value of the company (Market capitalization + Debt – Cash)
    d. Applying a multiple (like EV/EBITDA) to current EBITDA
    e. A discounted cash flow valuation of the company with no growth
2. In a financial balance sheet, we break the assets of a business down into assets in place and growth assets. Which of the following statements best describes the value of growth assets?
    a. The value of growth assets will always be greater than zero
    b. Companies that reinvest more (take more investments) will have a higher value for growth assets
    c. Companies that earn a high return on capital will have more valuable growth assets
    d. Companies that reinvest more and earn a high return on capital on those investments will have a higher value for growth assets
    e. Companies that have high expected growth in earnings/revenues will have a higher value for growth assets
3. A company has two choices when it comes to funding its assets, debt and equity. Which of the following companies are more likely to use debt?
    a. Money making companies will borrow more than money losing companies
    b. Companies that are more valuable (have higher value) will borrow more.
    c. Companies that derive the bulk of their value from assets in place and have positive earnings will borrow more
    d. Companies that derive the bulk of their value from growth assets and have positive earnings will borrow more
4. In a corporate life cycle, we look at where firms fall in the life cycle from start-up (baby) to decline and distress (old age). Which of the following financial characteristics would you expect to see in young companies?
    a. Mostly growth assets, primarily equity funded, high dividends
    b. Mostly assets in place, primarily equity funded, no/low dividends
    c. Mostly growth assets, primarily equity funded, no/low dividends
    d. Mostly growth assets, more debt funded, no/low dividends
    e. Mostly growth assets, more debt funded, high dividends
5. In a corporate life cycle, we look at where firms fall in the life cycle from start-up (baby) to decline and distress (old age). Which of the following financial characteristics would you expect to see in young companies?
    a. Mostly assets in place, primarily equity funded, high dividends
    b. Mostly assets in place, primarily equity funded, no/low dividends
    c. Mostly assets in place, primarily equity funded, no/low dividends

d. Mostly assets in place, more debt funded, no/low dividends
e. Mostly assets in place, more debt funded, high dividends