Session 2: 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. Asset-based valuation, where you value a business by adding up the values of its individual assets is an alternative to intrinsic and relative valuation.
    a. True
    b. False