CFI FINANCIAL MODELING AND VALUATION ANALYST (FMVA) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. Which off-balance-sheet items may be reflected in the market value of net operating assets?

A. Brand value and human capital

B. Current liabilities

C. Cash on hand

D. Marketable securities

2. Which rights do common shareholders typically have?

A. priority over debt in claims.

B. claim a portion of earnings and voting rights.

C. receive fixed dividends only.

D. no voting rights.

3. In sensitivity tables, where should data be placed for the table to work correctly?

A. In a separate workbook

B. On the same worksheet tab as the table

C. In a hidden sheet

D. On the same tab as the data table

4. If a company purchases equipment for cash, which cash flow section is affected?

A. Operating activities

B. Financing activities

C. Investing activities

D. All of the above

5. Which items are considered non-current assets?

A. Property, plant & equipment; Goodwill; Intangible assets

B. Cash and equivalents

C. Accounts receivable

D. Inventory

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6. Deferred revenue is best defined as?

A. A liability created when a business collects cash from customers in advance of delivering a service or product

B. A revenue recognized on delivery

C. An asset representing prepaid expenses

D. A liability for accrued taxes

7. What is the growing perpetuity value formula when cash flow grows at rate g and discount rate r?

A. Cash Flow divided by (discount rate minus growth rate)

B. Cash Flow multiplied by growth rate divided by discount rate

C. Cash Flow divided by discount rate plus growth rate

D. Cash Flow divided by discount rate

8. Price-to-Book Value is typically used for which types of companies?

A. Financial institutions, real estate, banks, insurance

B. Tech startups

C. Retailers

D. Energy producers

9. In public market valuations, the price for a minority stake is often referred to as which term?

A. Market price

B. Minority discount

C. Unaffected price

D. Acquisition premium

10. In the BASE framework for intangibles, what does the 'Subtract' line represent?

A. Beginning Intangibles.

B. Amortization.

C. Purchases of intangible assets.

D. Ending Intangibles.

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Answers

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1. A
2. B
3. B
4. C
5. A
6. A
7. A
8. A
9. C
10. B

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Explanations

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1. Which off-balance-sheet items may be reflected in the market value of net operating assets?

A. Brand value and human capital

B. Current liabilities

C. Cash on hand

D. Marketable securities

The market value of net operating assets reflects what investors believe the operating part of the business can generate in the future beyond what is shown on the balance sheet. Off-balance-sheet intangibles like brand value and human capital can influence future profits even though they aren't recorded as separate assets. A strong brand can drive demand and pricing power, while skilled employees and leadership boost efficiency and innovation. Because these assets aren't captured on the books, they're embedded in how the market values NOA, making brand value and human capital the items that may be reflected in its market value. Current liabilities are recorded on the balance sheet and affect NOA directly, not as off-balance-sheet items. Cash on hand and marketable securities are financial assets on the balance sheet and aren't typically treated as operating assets, so they don't represent off-balance-sheet NOA components.

2. Which rights do common shareholders typically have?

A. priority over debt in claims.

B. claim a portion of earnings and voting rights.

C. receive fixed dividends only.

D. no voting rights.

Common shareholders are owners, so they have two core rights: a claim on a portion of earnings and voting rights on corporate matters. They receive dividends only if the company earns and the board decides to pay them, and these dividends aren't fixed. In the event of liquidation, they're paid last, after debt holders and any preferred shareholders, which explains why their earnings and ownership upside come with higher risk and potential reward. Voting rights let shareholders influence governance, such as electing the board and approving major actions. This combination—participation in earnings and the ability to vote—is why this choice best describes their typical rights.

3. In sensitivity tables, where should data be placed for the table to work correctly?

A. In a separate workbook

B. On the same worksheet tab as the table

C. In a hidden sheet

D. On the same tab as the data table

Data tables rely on being able to substitute each test value into the formula on the worksheet and recalculate. For that to work, the inputs you're varying must be on the same worksheet tab as the calculation table so Excel can reference and update them directly. If the data live in another workbook or on a different sheet, the data-table engine can't map those values into the formula, and the table won't populate correctly. Keeping the data on the same worksheet as the table ensures the references remain intact and the sensitivity results update as you change the inputs.

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4. If a company purchases equipment for cash, which cash flow section is affected?

A. Operating activities

B. Financing activities

C. Investing activities

D. All of the above

The key idea is how cash flow classifications reflect the nature of a transaction. Buying equipment with cash is the acquisition of a long term asset. In the cash flow statement, purchases or sales of noncurrent assets are categorized under investing activities. The outflow reduces cash and increases the asset on the balance sheet, which is ical for investing activities. Operating activities cover day to day business cash flows, while financing activities relate to borrowing, repaying debt, or issuing equity. Since this transaction uses cash to acquire a fixed asset, it affects investing activities. If the purchase were financed with a loan, there would also be a financing activity impact, but the actual cash outlay for the asset is shown in investing.

5. Which items are considered non-current assets?

A. Property, plant & equipment; Goodwill; Intangible assets

B. Cash and equivalents

C. Accounts receivable

D. Inventory

Non-current assets are resources a company expects to use or hold for more than one year (or beyond the normal operating cycle). That's why property, plant & equipment (tangible assets used in operations) and intangible assets like goodwill and other intangible assets are classified as non-current—they provide benefits over many years and aren't typically converted to cash in the near term. In contrast, cash and equivalents are highly liquid and intended to be used within a short horizon; accounts receivable are money owed by customers expected to be collected soon; and inventory will be sold or consumed within the operating cycle. Therefore, the items listed in the first option fit the non-current asset category.

6. Deferred revenue is best defined as?

A. A liability created when a business collects cash from customers in advance of delivering a service or product

B. A revenue recognized on delivery

C. An asset representing prepaid expenses

D. A liability for accrued taxes

Deferred revenue represents a future obligation to deliver goods or services for which cash has already been received. It is a liability because you owe performance to the customer; you haven't earned the revenue yet. Revenue is recognized only when you satisfy the performance obligation, not at the moment of cash receipt. For example, when a customer pays upfront for a yearly subscription, you record cash received and set up a deferred revenue liability; over the year you recognize revenue gradually as you provide access, reducing that liability. This concept differs from revenue recognized on delivery (that would occur at the moment you complete the service), prepaid expenses (which are assets representing amounts paid in advance for future costs), and taxes payable (a separate liability). Deferred revenue can be a current liability if the obligation is expected to be settled within a year, or non-current if not.

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7. What is the growing perpetuity value formula when cash flow grows at rate g and discount rate r?

A. Cash Flow divided by (discount rate minus growth rate)

B. Cash Flow multiplied by growth rate divided by discount rate

C. Cash Flow divided by discount rate plus growth rate

D. Cash Flow divided by discount rate

Growing perpetuity valuation uses the idea that cash flows keep increasing forever at rate g while they are discounted at rate r. The present value is the next period's cash flow divided by the difference r minus g, provided r > g. This comes from summing the infinite geometric series of discounted cash flows: CF1/(1+r) + CF1(1+g)/(1+r)^2 + CF1(1+g)^2/(1+r)^3 + … which simplifies to CF1/(r - g). So the correct form is cash flow divided by (discount rate minus growth rate). The other forms mis-handle growth: multiplying by g and dividing by r mixes growth into scale incorrectly, adding r and g in the denominator is not how the series behaves, and dividing by r alone ignores growth entirely.

8. Price-to-Book Value is typically used for which types of companies?

A. Financial institutions, real estate, banks, insurance

B. Tech startups

C. Retailers

D. Energy producers

Price-to-Book Value is most informative when a company's value is closely tied to its balance sheet assets and liabilities, with tangible assets forming a stable base. Financial institutions, real estate, banks, and insurance companies fit this pattern because their capital adequacy and asset bases are central to their business models, and book value provides a meaningful baseline for comparing value across peers. In contrast, for tech startups the value often rests on growth potential and intangible assets like intellectual property, which aren't well captured by book value, so P/B can be misleading. Retailers and energy producers rely more on earnings, cash flows, and other metrics that reflect operating performance and market conditions rather than just net asset value, making P/B less central for them.

9. In public market valuations, the price for a minority stake is often referred to as which term?

A. Market price

B. Minority discount

C. Unaffected price

D. Acquisition premium

The idea being tested is separating the base trading price from any adjustments for control or minority status. In public markets, the price you see for a share already reflects the value of owning a small, non-controlling stake, so it's treated as the unaffected price—the price not adjusted for control premiums or minority discounts. This is why, when valuing a minority stake in a publicly traded company, analysts use the market price as the base, rather than applying a discount for lack of control or paying a premium for control. The other terms describe adjustments that would come into play in different contexts: a minority discount (to reflect lack of control), an acquisition premium (to gain control), or simply the market price (which is close, but the specific valuation framing calls it the unaffected price).

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10. In the BASE framework for intangibles, what does the 'Subtract' line represent?

A. Beginning Intangibles.

B. Amortization.

C. Purchases of intangible assets.

D. Ending Intangibles.

The Subtract line shows the reduction in the intangible asset balance as it is consumed over the period, typically through amortization. Intangibles are finite-lived, so you spread their cost as an expense each period, which lowers the asset's carrying value. In the BASE layout, you start with the Beginning balance, add any Purchases, then subtract the amount of usage (amortization) to reach Ending intangibles. For example, begin with 100, add 20 in purchases, subtract 15 for amortization, ending intangibles would be 105.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cfifmva.examzify.com

We wish you the very best on your exam journey. You've got this!

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