



## Theory and Practice MCQs

Question Appeared in: ModelOff 2013 Round 1

Time Allocated: 20 minutes

### Questions

#### QUESTION 1

**You have been asked to prepare a DuPont analysis to analyze 'Return on Equity'. Which of the following afflictions is a DuPont analysis unlikely to uncover?**

- a. Problems with slow moving stock
- b. Problems in overgrown direct and indirect costs
- c. Higher than acceptable leverage
- d. An overstatement in the company's Balance Sheet

#### QUESTION 2

**A revolving line of credit is most commonly used to provide?**

- a. One-off funding for the purchase of specific non-current capital assets
- b. Advance funding on approved outstanding debtor invoices
- c. Funding for day to day operations with a commitment fee on issue and no schedule on drawdowns, repayments and redraws
- d. Funding for day to day operations under an agreed repayment schedule ensuring only minimal interest is incurred

#### QUESTION 3

**Junior tranches of a 'Collateralized Debt Obligation' are more likely to have?**

- a. A higher credit rating than senior tranches and lower associated risk
- b. A lower credit rating than senior tranches and lower associated risk
- c. A higher credit rating than senior tranches and higher associated risk
- d. A lower credit rating than senior tranches and higher associated risk



## ModelOff 2013 Questions and Answers

### QUESTION 4

A company is 75% funded by Equity and 25% funded by Debt. The company's cost of equity is 15% and its cost of debt is currently 8%. Tax is currently 30%. Using the Capital Asset Pricing Model, which is closest to the Company's Weighted Average Cost of Capital?

- a. 8.0%
- b. 11.5%
- c. 13.0%
- d. 15.0%

### QUESTION 5

What is the term generally applied to the prescribed value of a business at a set time (e.g. 10 years) from today?

- a. Net Present Value
- b. Mobilization Price
- c. Termination Value
- d. Terminal Value

### QUESTION 6

Which of the following is NOT the equivalent of entering 0.000001 into a cell?

- a. =1%%%
- b. =1/10^6
- c. =1E-6
- d. =0.01^-3

### QUESTION 7

With which of the following features or functions might you experience backward compatibility problems with between Excel 2010 and Excel 2003?

- a. Charting on two simultaneous axes
- b. SUMIF
- c. COUNTIFS
- d. INDIRECT



## ModelOff 2013 Questions and Answers

### QUESTION 8

**A company incurs \$10,000 in interest expense on loaned funds it has used to purchase fixtures and fittings for a new office space. Which section of the Cash Flow statement would you expect to see this interest expense reported?**

- a. Operating
- b. Investing
- c. Financing
- d. No section as the interest amount will likely be capitalized

### QUESTION 9

**Which of the following pairs of values are considered when assessing a product's Contribution Margin?**

- a. Gross Margin and Indirect Costs
- b. Revenue and Total Costs
- c. Processing Costs and Costs of Raw Materials
- d. Revenue and Direct Variable Costs

### QUESTION 10

**Generally, which of these is the most conservative ratio in measuring a company's solvency?**

- a. Current ratio
- b. Quick ratio
- c. Cash ratio
- d. All options are equally conservative

### QUESTION 11

**When valuing the Copyrights, Trademarks and Trade Secrets of a successful multi-national business, which methods would you consider legitimate methods for valuation?**

- a. Either the Market Method or the Income method, but not the Cost Method
- b. The Cost Method but not the Market Method
- c. The Income Method but not the Market Method
- d. Any of the Market, Income or Cost Methods



## ModelOff 2013 Questions and Answers

### QUESTION 12

**If you are preparing a financial model, which of the following suggestions from a colleague could be most considered as inconsistent with good modeling practices?**

- a. Do not mix raw data with final results, reports, or back end set up areas
- b. Turn off automatic calculation of your data tables to save resources
- c. Entering hard-coded numbers that are only used once directly into formulas in calculation blocks, to save space on the assumptions sheets.
- d. Link recurring uses of the same inputs to a central assumption

### QUESTION 13

**In Excel, what is the primary difference between the ISERR and ISERROR functions?**

- a. ISERROR function can only refer to a single cell while ISERR can refer to a multiple cell range
- b. There is no difference, ISERR is the short form of ISERROR
- c. ISERR is a deprecated function used to maintain Lotus 1-2-3 compatibility
- d. ISERR will not return true when referring to a #N/A! error, but ISERROR will

### QUESTION 14

**Which combination of functions might a financial modeler use in place of a VLOOKUP or HLOOKUP function?**

- a. CHOOSE and INDIRECT
- b. INDEX and MATCH
- c. ADDRESS and INDEX
- d. OFFSET and COUNTIF

### QUESTION 15

**If the third argument in a MATCH function is omitted then the function will:**

- a. Return the largest value that is less than or equal to the lookup value
- b. Return the smallest value that is greater than or equal to lookup value
- c. Return the first value that is exactly equal to lookup value
- d. Always return an error



## ModelOff 2013 Questions and Answers

### QUESTION 16

**Which of the following functions can be used in a simple formula to determine how many weekdays there are in any calendar month?**

- a. EOMONTH
- b. NETWORKDAYS
- c. DAYS360
- d. WEEKDAY

### QUESTION 17

**Assuming a date is entered in cell A1, which of these formulas will always return the last day of the calendar quarter that A1 falls in?**

- a. =EOMONTH(A1,MOD(MONTH(A1),3))
- b. =EOMONTH(A1,3-MOD(MONTH(A1),3))
- c. =EOMONTH(A1,2-MOD(MONTH(A1)-1,3))
- d. =EOMONTH(A1,3-INT(MONTH(A1)/3))

### QUESTION 18

**What key stroke combination is used to enter an array formula?**

- a. Ctrl + Shift + Enter
- b. Ctrl + Enter
- c. Alt + Enter
- d. Alt + Shift + Enter

### QUESTION 19

**In VBA what is the impact of including "Option Explicit" at the top of a module?**

- a. It forces the VBA interpreter to strictly abide by the provided procedural functions
- b. It prompts Excel to compile the provided code, increasing the speed at which the macro executes
- c. It requires that all variables are to be declared before use
- d. It limits the following code to a subset of the available VBA functions



**QUESTION 20**

**Which of the following is logically equivalent to  $\text{AND}(A1, \text{OR}(A2, A3))$ ?**

- a.  $\text{OR}(\text{AND}(A1, A2), \text{OR}(A2, A3))$
- b.  $\text{OR}(\text{NOT}(A3), \text{AND}(A1, A2))$
- c.  $\text{OR}(\text{AND}(A1, A2), \text{AND}(A1, A3))$
- d.  $\text{OR}(A3, \text{AND}(A1, A2))$



## Answers

1	D
2	C
3	D
4	C
5	D
6	D
7	C
8	A
9	D
10	C
11	A
12	C
13	D
14	B
15	A
16	B
17	C
18	A
19	C
20	C