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CHAPTER

Narratives and Numbers

Multiple Choice Questions

1. Powerful, well-told stories prod listeners to focus by releasing oxytocin which is a neurochemical.
(a) True (b) False

2. Numbers recall cannot match that of a story recall:
(a) True (b) False

3. As compared to narratives, numbers indicate more control:
(a) True (b) False

4. Numbers pierce a listener's guard quickly and effectively than relatively lengthy stories:
(a) True (b) False

5. While children prefer colourful stories to get motivated, grown ups would rather go in for numbers:
(a) True (b) False

6. There is now a greater demand for stories because of the proliferation of vast amounts of data/numbers:
(a) True (b) False

7. Stories come handy in navigating around large sets of data:
(a) True (b) False

8. Unlike stories, numbers could lead us away from the big picture:
(a) True (b) False

9. According to Damodaran, in these days of tons of data, investors seem to be drawn to good storytelling than in generations past:
(a) True (b) False

10. Like a storyteller, a good number cruncher can also touch a listener's emotions:
(a) True (b) False

11. Numbers are much more reliable than the narrative as they have no subjective content:
(a) True (b) False

12. A splash of statistics thrown into a political analysis often makes that look more credible:
(a) True (b) False

13. The results of number crunching can be precise and yet not accurate:
(a) True (b) False

14. Framing effect is much more subtle with numbers than with stories:
(a) True (b) False

15. While it is easy in storytelling to brush under the carpet potentially fatal weaknesses of a business, such luxury is not available with numbers:
(a) True (b) False

16. Now that the computers have taken over data processing, the frequency and amplitudes of market booms and busts have reduced considerably:
(a) True (b) False

17. Even a few vague numbers often connote more objectivity than a whole paragraph of narrative:
(a) True (b) False

18. In a good valuation model, one should start converting a narrative into drivers of value if it is found to be probable:
(a) True (b) False

19. To be fair on his part, the valuer of a company should keep the feedback loop open only to the owners of the business:
(a) True (b) False

20. Which among the following is a strategy that does not seem to be used in developing a business story:
(a) Value chain analysis
(b) Customer segmentation analysis
(c) Value segmentation analysis
(d) Industry structure analysis
(e) None of the above

21. If an event is possible, the probability of its occurrence has to be very high:
(a) True (b) False

22. The level of reinvestment in a business is inversely proportional to its growth rate:
(a) True (b) False

23. Both business risk and financial leverage would alter the risk characteristics of a company:
(a) True (b) False

24. In a valuation exercise, the stable growth rate of a company cannot be more than the cost of capital:
(a) True (b) False

25. A good valuation model is self sufficient and has no need to borrow parts from alternative narratives:
(a) True (b) False

26. Which of the following techniques relies on single point estimates?
(a) Simulation analysis
(b) Sensitivity analysis
(c) Scenario analysis
(d) Decision Tree analysis
(e) None of the above

27. In a flourishing capital market, it is easier to price a company than attributing a value to it:
(a) True (b) False

28. A valuation exercise that cannot estimate the market price is a futile exercise:
(a) True (b) False