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CHAPTER

Value Enhancement

Multiple Choice Questions

1. Risk management can help in value enhancement:
(a) True (b) False

2. Which of the following is not an entry barrier for a firm:
(a) Marketing reach
(b) Government policy
(c) Technological edge
(d) Economies of scale
(e) None of the above

3. The entry bar could be high in an industry like:
(a) Iron and steel
(b) Aluminium
(c) Mineral extraction
(d) All the above
(e) None of the above

4. An important source of competitive advantage for Hindustan Unilever is:
(a) Location
(b) Distribution network
(c) Price advantage
(d) Use of advanced technology
(e) None of the above

5. An adverse consequence of environment controls is it creates entry barriers:
(a) True (b) False

6. alue of a firm may not be increased by:
(a) Change in operating risk
(b) Change in financing type
(c) Increase in the operating leverage
(d) Change in financing type
(e) None of the above

7. Market value added approach is an improvement on economic value added approach.
(a) True (b) False

8. MVA is nothing but the excess of market value capital over the capital employed:
(a) True (b) False

9. MVA can be used to measure the value destroyed during a period of time:
(a) True (b) False

10. The equity account in a balance sheet gets understated on account of:
(a) Deferred tax provisions
(b) Amortisation of goodwill
(c) R &D expenses
(d) All of the above
(e) None of the above

11. Conceptually NPV and MVA are similar:
(a) True (b) False

12. While MVA may change on account of a change in credit rating, it is not affected by a change in interest rates:
(a) True (b) False

13. Which of the following is not a key driver of value creation ?
(a) Growth rate of the firm
(b) WACC
(c) MVA
(d) ROIC
(e) None of the above

14. Investor communication is done primarily in terms of:
(a) Earnings per share
(b) Return on assets
(c) DCF
(d) Both (b) and (c)
(e) None of the above

15. EVA is a measure of performance rather than a measure of profitability:
(a) True (b) False

16. EVA cannot serve as a guide to every decision of a firm:
(a) True (b) False

17. Which of the following is not a known value based management system?
(a) LEK/Alcar approach
(b) CFROI approach
(c) DCF approach
(d) POA approach
(e) None of the above