

CFI Financial Modeling and Valuation Analyst (FMVA) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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.

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!

Questions

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- 1. Common stock class A vs B differences primarily relate to?**
 - A. Par value**
 - B. Voting rights disparities**
 - C. Dividend priority**
 - D. Tax treatment**

- 2. Which equation correctly defines outstanding shares?**
 - A. Outstanding = Authorized - Issued**
 - B. Outstanding = Issued - Treasury**
 - C. Outstanding = Treasury - Issued**
 - D. Outstanding = Par value - APIC**

- 3. Where can depreciation and amortization amounts typically be found?**
 - A. Cash Flow Statement**
 - B. Income Statement**
 - C. Balance Sheet**
 - D. Statement of Changes in Equity**

- 4. What does MTR stand for?**
 - A. Marginal Tax Rate**
 - B. Maximum Tax Rate**
 - C. Mixed Tax Rate**
 - D. Medium Tax Rate**

- 5. Unearned Revenue is described as**
 - A. Revenue Recognized Before Services Are Performed**
 - B. A Prepaid Expense**
 - C. A Current Asset Representing Cash Collected in Advance**
 - D. A Liability Created When Cash Is Collected in Advance of Providing Services or Delivering Goods**

- 6. Which components are included in invested capital according to the material?**
- A. Debt and equity, including capital leases**
 - B. Net debt alone**
 - C. Equity only**
 - D. Debt only**
- 7. Which valuation approach focuses on ownership and is affected by financing decisions?**
- A. ENTVAL**
 - B. EQVAL**
 - C. Net OpAs**
 - D. DCF**
- 8. Goodwill is defined as?**
- A. The premium paid on the acquisition of another business**
 - B. Intangible assets**
 - C. Deferred tax assets**
 - D. Total assets**
- 9. Which statement best describes the accrual basis accounting method?**
- A. The method that records income and expenditures only when cash changes hands**
 - B. The method that ignores revenue until cash is received**
 - C. The method that records everything in the financial statements only at year-end**
 - D. The method of accounting that recognizes revenue when it is earned and matches expenses to the revenues they helped produce**
- 10. Which assets are considered cash equivalents?**
- A. Inventory**
 - B. Real estate**
 - C. Money market instruments**
 - D. Intangible assets**

Answers

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

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Explanations

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1. Common stock class A vs B differences primarily relate to?

- A. Par value
- B. Voting rights disparities**
- C. Dividend priority
- D. Tax treatment

Voting power is what sets apart different classes of common stock. The main reason companies create Class A and Class B shares is to allocate control over governance decisions—such as board elections and strategic actions—through differing voting rights. One class may carry more votes per share (or be non-voting), allowing insiders or founders to retain control even while raising capital from public investors. That control aspect is the primary distinction, which is why voting rights disparities best describe the difference between these stock classes. Par value is just a nominal accounting figure and doesn't determine who controls the company or how profits are allocated. Dividend patterns are typically governed by the same policy for common stock unless a specific class has its own preferred dividend terms, which is less about the common classes' inevitable distinction. Tax treatment for shareholders generally doesn't hinge on which class of common stock they own.

2. Which equation correctly defines outstanding shares?

- A. $\text{Outstanding} = \text{Authorized} - \text{Issued}$
- B. $\text{Outstanding} = \text{Issued} - \text{Treasury}$**
- C. $\text{Outstanding} = \text{Treasury} - \text{Issued}$
- D. $\text{Outstanding} = \text{Par value} - \text{APIC}$

The concept is how to distinguish issued shares from outstanding shares: outstanding shares are the issued shares that are not held as treasury stock, i.e., currently owned by investors. Issued shares represent all shares that the company has sold or granted, while treasury stock are those that the company has repurchased and holds. Subtracting treasury stock from issued stock gives the number of shares actually available in the market and held by outside owners. So the correct relationship is $\text{Outstanding} = \text{Issued} - \text{Treasury}$. This makes sense, because if a company has issued 1,000,000 shares and holds 150,000 in treasury, the outstanding shares would be 850,000. The other forms mix up different concepts: Authorized minus Issued would indicate how many shares the charter still allows to issue, not how many are currently outstanding; Treasury minus Issued isn't a meaningful measure for outstanding; Par value minus APIC relates to equity accounts, not share count.

3. Where can depreciation and amortization amounts typically be found?

- A. Cash Flow Statement**
- B. Income Statement**
- C. Balance Sheet**
- D. Statement of Changes in Equity**

Depreciation and amortization are non-cash charges. They reduce reported net income but don't involve an actual cash outflow in the period. Because of this, when calculating cash flow from operations you add them back to net income to reflect the cash that was generated (or used) aside from these non-cash expenses. The cash flow statement shows depreciation and amortization as an operating-activities adjustment, named clearly to reconcile net income to cash from operations. On the income statement you'll see these as expenses, and on the balance sheet you'll see the accumulated depreciation and amortization (reductions to asset values) rather than the per-period cash amounts. So the place to locate the amounts used to adjust cash flow is the cash flow statement.

4. What does MTR stand for?

- A. Marginal Tax Rate**
- B. Maximum Tax Rate**
- C. Mixed Tax Rate**
- D. Medium Tax Rate**

Marginal Tax Rate is the rate that applies to the next dollar of taxable income in a progressive tax system. Income is taxed in brackets, so as you earn more, the additional income is taxed at a higher bracket rate. The marginal rate tells you exactly how much tax you'd owe on the next dollar earned, which is why it drives decisions like taking a raise or working extra hours. It's different from the average tax rate, which is total taxes paid divided by total income, and it's not called a maximum or middle rate in tax practice. So the correct interpretation is Marginal Tax Rate.

5. Unearned Revenue is described as

- A. Revenue Recognized Before Services Are Performed**
- B. A Prepaid Expense**
- C. A Current Asset Representing Cash Collected in Advance**
- D. A Liability Created When Cash Is Collected in Advance of Providing Services or Delivering Goods**

Unearned revenue arises when you collect cash before delivering goods or performing services. Under accrual accounting, revenue is earned only when the service is actually performed or the goods are delivered, not when cash is received. So the amount received becomes a liability—the obligation to provide the service or product in the future. As you fulfill the obligation, you reduce the liability and record revenue. It isn't a revenue item or an asset like a prepaid expense (which represents paying in advance for future benefits). The liability is usually classified as current if the performance is expected within a year; otherwise it's a long-term liability.

6. Which components are included in invested capital according to the material?

- A. Debt and equity, including capital leases**
- B. Net debt alone**
- C. Equity only**
- D. Debt only**

Invested capital is the funds actually deployed to run and grow the business. In the material you're studying, it is defined as the financing used to fund the asset base, and that framing includes debt obligations (often including capital leases treated as debt). Equity is not counted as invested capital in this definition, nor are non-operating cash balances. So the component included is debt financing, which is why the answer reflects debt only. Note that many other sources define invested capital as both debt and equity, but this material uses the debt-only perspective for this concept.

7. Which valuation approach focuses on ownership and is affected by financing decisions?

- A. ENTVAL**
- B. EQVAL**
- C. Net OpAs**
- D. DCF**

Equity valuation focuses on what owners actually own—the residual claim after all debts are paid. Because the amount available to shareholders depends on how the company is financed, financing decisions directly affect equity value. Leverage changes risk and the required return on equity, debt tax shields alter cash flows to shareholders, and the capitalization structure determines how cash flows are split between debt and equity. When valuing equity, you typically use cash flows to equity or dividends, which inherently incorporate financing effects, making this approach sensitive to how the company is financed. Enterprise valuation, by contrast, looks at the value of the firm to all capital providers and is less about ownership stakes, so financing decisions don't shift enterprise value in a perfect framework. Net operating assets concentrate on operating assets, not ownership claims, and a generic DCF is a method that can value either equity or the firm depending on the cash flows used.

8. Goodwill is defined as?

- A. The premium paid on the acquisition of another business**
- B. Intangible assets**
- C. Deferred tax assets**
- D. Total assets**

Goodwill is the premium paid when acquiring another business above the fair value of its identifiable net assets. It captures the value of features that aren't separately identifiable—things like expected synergies, brand strength, customer relationships, and skilled workforce. In purchase accounting, this premium is recorded as an asset equal to the purchase price minus the fair value of identifiable net assets; it is then tested for impairment over time. This makes the described option the best fit because it directly embodies the defining sum that creates goodwill. The broader label of intangible assets is not as precise, since goodwill is the residual premium specific to a business combination. Deferred tax assets and total assets describe different concepts and don't define goodwill.

9. Which statement best describes the accrual basis accounting method?

- A. The method that records income and expenditures only when cash changes hands**
- B. The method that ignores revenue until cash is received**
- C. The method that records everything in the financial statements only at year-end**
- D. The method of accounting that recognizes revenue when it is earned and matches expenses to the revenues they helped produce**

Accrual accounting records events when they occur, not when cash moves. It recognizes revenue when the performance obligation is satisfied (earned), and it records expenses when they are incurred in order to generate those revenues. This matching of revenues and the expenses that helped generate them gives a clearer picture of economic activity in the period. That's why the statement describing accrual accounting is the one that says revenue is recognized when earned and expenses are matched to the revenues they helped produce. For example, if a service is performed in December but billed in January, accrual accounting records the revenue in December. If a cost is incurred in December, it's recorded in December even if payment happens later. The other descriptions describe cash-basis timing (recognizing income and expenditures only when cash changes hands), ignoring revenue until cash is received, or recording everything only at year-end, which are not how accrual accounting operates.

10. Which assets are considered cash equivalents?

- A. Inventory
- B. Real estate
- C. Money market instruments**
- D. Intangible assets

Cash equivalents are very short-term, highly liquid investments that can be quickly turned into a known amount of cash with little risk of value changes. They are typically holdings with maturities of three months or less from the purchase date. Money market instruments fit this description because they are short-term debt or cash-management vehicles that can be redeemed for cash at a known value almost immediately, with minimal risk of price fluctuation. That makes them cash equivalents. Inventory, real estate, and intangible assets do not fit this category. Inventory is a business asset intended for sale, not near-cash and not easily liquidated at a fixed value. Real estate is long-term and illiquid, requiring time and effort to convert to cash. Intangible assets, while valuable, are non-physical and not readily convertible to cash in the short term, and their value can be volatile or uncertain.

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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