

**Module 15 – Financial Statement Analysis & Valuation, 2nd edition, by Easton, McAnally, Fairfield, Zhang, and Halsey**

**Solutions to Practice Quiz**

1.

Answer: d

The price to net operating assets ratios for Walgreens and Longs Drug Stores are 3.7 and 2.1, respectively.

2.

Answer: a

A simple average of the two ratios is 2.9. We could weight one of the two companies more heavily if we believe its ratio is more relevant for valuing CVS. CVS's estimated company intrinsic value is \$44,048 million, using a 2.9 multiple on net operating assets.

3.

Answer: c

CVS's estimated equity intrinsic value is \$38,777, and its estimated equity intrinsic value per share is \$47.

4.

Answer: b

The price to book value ratios for Walgreens and Longs Drug Stores are 3.9 and 2.3, respectively.

5.

Answer: a

The price to NOPAT ratios for Walgreen's and Long's Drug Stores are 21.3 and 24.8, respectively.

6.

Answer: c

The simple average of the two ratios is 23.1. You could weight one of the two companies more heavily if you think its ratio is more relevant for valuing CVS. CVS's estimated intrinsic firm value is \$34,535 million, using a 23.1 multiple.

7.

Answer: d

CVS's estimated intrinsic equity value is \$29,263 and its estimated intrinsic price per share is \$35.

8.

Answer: a

The price to net income ratios for Walgreen's and Long's Drug Stores are 21.4 and 25.1, respectively.

9.

Answer: a

The simple average of the two ratios is 23.2. You could weight one of the two companies more heavily if you think its ratio is more relevant for valuing CVS. CVS's estimated intrinsic equity value is \$31,436, using a 23.2 multiple on net income. CVS's estimated intrinsic price per share is \$38.