**Questões e Feedbacks Atualizados – capítulo 23.**

1. **Question:** New issues are highly cyclical. **Answer:** T **Feedback:** The sentence is TRUE. Companies tend to go public during bull markets when investor sentiment is high and valuations are favorable, leading to periods of high IPO activity followed by lulls.
2. **Question:** The 'fees' paid to underwriters are a significant part of the transaction costs of an IPO. **Answer:** T **Feedback:** The sentence is TRUE. The underwriting spread, which is the difference between the price investors pay and the amount the company receives, is typically the largest single expense in an IPO.
3. **Question:** The 'lock-up' period prevents company insiders from selling their shares in the secondary market for a certain time after the IPO. **Answer:** T **Feedback:** The sentence is TRUE. This is a contractual agreement designed to prevent a sudden sell-off by insiders, which could depress the stock price and signal a lack of confidence shortly after the offering.
4. **Question:** Investors in an IPO are guaranteed to receive shares at the offering price. **Answer:** F **Feedback:** The sentence is FALSE. Investors in an IPO are not guaranteed to receive shares at the offering price; allocation depends on demand, and the market price can fluctuate immediately after listing.
5. **Question:** One of the disadvantages of being a public company is the increased reporting and regulatory compliance requirements. **Answer:** T **Feedback:** The sentence is TRUE. Public companies face stringent regulations from bodies like the CVM or SEC, requiring costly and time-consuming periodic financial reporting and disclosures.
6. **Question:** A controlling shareholder completely loses control of the company after an IPO. **Answer:** F **Feedback:** The sentence is FALSE. A controlling shareholder does not necessarily lose complete control; mechanisms like dual-class share structures can help them retain significant influence.
7. **Question:** The Dutch auction method allows investors to bid for shares in an IPO, determining the final offer price. **Answer:** T **Feedback:** The sentence is TRUE. In a Dutch auction, the final price is set at the highest price at which all offered shares can be sold, allowing for a market-driven price discovery process.
8. **Question:** The secondary market involves the trading of existing shares among investors. **Answer:** T **Feedback:** The sentence is TRUE. After a security is issued in the primary market (e.g., IPO), all subsequent trading of that security occurs in the secondary market between investors.
9. **Question:** A cash offer occurs when new shares are offered only to existing shareholders. **Answer:** F **Feedback:** The sentence is FALSE. A cash offer typically involves selling new shares to the general public or institutional investors, not exclusively to existing shareholders (that would be a rights offer).
10. **Question:** The 'quiet period' restricts communication from the company and underwriters to the public during the IPO process. **Answer:** T **Feedback:** The sentence is TRUE. This regulation aims to prevent the company from providing information that is not included in the official prospectus, ensuring all investors have access to the same data.
11. **Question:** An IPO prospectus is a confidential document only accessible to investment banks. **Answer:** F **Feedback:** The sentence is FALSE. An IPO prospectus is a public document filed with regulatory bodies (like the SEC or CVM) and made available to potential investors.
12. **Question:** The transaction costs of an IPO are usually low. **Answer:** F **Feedback:** The sentence is FALSE. The transaction costs of an IPO, including underwriting fees, legal fees, and administrative expenses, are typically substantial, often a significant percentage of the capital raised.
13. **Question:** The stock price reaction to an SEO is positive on average. **Answer:** F **Feedback:** The sentence is FALSE. The stock price reaction to an SEO (Seasoned Equity Offering) is, on average, negative, as it often signals potential dilution or a need for capital that can be interpreted negatively by the market.
14. **Question:** The two advantages of going public are greater liquidity and better access to capital. **Answer:** T **Feedback:** The sentence is TRUE. Going public allows shares to be traded easily on an exchange (liquidity) and enables the company to raise large sums of money from a broad base of investors (access to capital).
15. **Question:** Market conditions, such as interest rates and general investor sentiment, affect the decision to conduct an IPO. **Answer:** T **Feedback:** The sentence is TRUE. Favorable market conditions can lead to higher valuations and greater investor demand, making the timing of an IPO a critical strategic decision.
16. **Question:** IPOs eliminate financial risk for company founders and early investors. **Answer:** F **Feedback:** The sentence is FALSE. While IPOs offer an exit strategy and liquidity, they do not eliminate financial risk; the market value of shares can fluctuate post-IPO, and founders/early investors remain exposed to market conditions.
17. **Question:** A seasoned equity offering (SEO) does not affect the price of existing shares in the market. **Answer:** F **Feedback:** The sentence is FALSE. An SEO can affect the price of existing shares, often leading to dilution and a potential downward pressure on the stock price.
18. **Question:** A roadshow is a series of presentations made by company executives to potential investors. **Answer:** T **Feedback:** The sentence is TRUE. During the roadshow, management travels to meet with large institutional investors to market the IPO and generate interest (build the book).
19. **Question:** A company's corporate governance tends to become more complex after an IPO due to new regulatory requirements. **Answer:** T **Feedback:** The sentence is TRUE. Public companies must establish independent boards of directors, audit committees, and comply with numerous regulations designed to protect public shareholders.
20. **Question:** The primary market is where investors buy and sell shares of companies already listed on the stock exchange. **Answer:** F **Feedback:** The sentence is FALSE. The primary market is where newly issued securities are sold for the first time (e.g., in an IPO), while existing shares are traded in the secondary market.
21. **Question:** A 'greenshoe option' (over-allotment option) is used by underwriters to sell fewer shares than initially planned. **Answer:** F **Feedback:** The sentence is FALSE. A greenshoe option allows underwriters to sell *more* shares than initially planned to cover over-allotments and stabilize the stock price, not fewer.
22. **Question:** The underwriter's reputation has no significant impact on the success of an IPO. **Answer:** F **Feedback:** The sentence is FALSE. The underwriter's reputation can significantly impact the success of an IPO, as reputable underwriters often attract more investor interest and lend credibility to the offering.
23. **Question:** The process of selling stock to the public for the first time is called a seasoned equity offering (SEO). **Answer:** F **Feedback:** The sentence is FALSE. The process of selling stock to the public for the first time is called an Initial Public Offering (IPO); a seasoned equity offering (SEO) occurs when a company already publicly traded issues additional shares.
24. **Question:** Due diligence is a critical process in an IPO to verify the company's financial and legal information. **Answer:** T **Feedback:** The sentence is TRUE. Underwriters and their legal teams conduct a thorough investigation to ensure the information presented in the prospectus is accurate and complete, reducing risks for investors.
25. **Question:** A privately held company can raise equity capital by selling shares publicly without conducting an IPO. **Answer:** F **Feedback:** The sentence is FALSE. A privately held company must conduct an IPO (or a direct listing) to sell its shares publicly on a stock exchange.
26. **Question:** Greenshoe stabilization is an activity that underwriters can undertake to prevent sharp drops in the price of newly issued shares. **Answer:** F **Feedback:** The sentence is FALSE. Underwriters can use mechanisms like the greenshoe option to sell more shares in the open market if the demand is higher.
27. **Question:** The CVM requires full disclosure of financials and risks in an IPO prospectus. **Answer:** T **Feedback:** The sentence is TRUE. The goal of this regulation is to provide potential investors with sufficient and transparent information to make an informed investment decision.
28. **Question:** Syndication is the formation of a group of investment banks to manage a large IPO. **Answer:** T **Feedback:** The sentence is TRUE. A syndicate is formed to share the risk and workload of underwriting and distributing the shares of a large offering.
29. **Question:** A seasoned equity offering (SEO) is the sale of stock by a company that is already publicly traded. **Answer:** T **Feedback:** The sentence is TRUE. This is the correct definition of an SEO, which is used by public companies to raise additional equity capital after their initial IPO.
30. **Question:** The 'bookbuilding' process completely eliminates the risk of 'underpricing' or 'overpricing' in an IPO. **Answer:** F **Feedback:** The sentence is FALSE. While bookbuilding helps in price discovery, it does not completely eliminate the risk of underpricing (leaving money on the table) or overpricing (leading to a weak aftermarket performance).
31. **Question:** The 'underwriter's spread' represents the company's net profit after the IPO. **Answer:** F **Feedback:** The sentence is FALSE. The underwriter's spread is the difference between the price paid by investors and the price received by the issuing company, representing the underwriters' compensation for managing the IPO.
32. **Question:** Regulatory filings must be submitted before an IPO. **Answer:** T **Feedback:** The sentence is TRUE. Companies must file a registration statement (like a Form S-1 in the U.S. or similar documents with the CVM in Brazil) for regulatory review and approval before they can sell shares to the public.
33. **Question:** Underwriting is the process by which investment banks guarantee the sale of shares in an IPO. **Answer:** T **Feedback:** The sentence is TRUE. In a "firm commitment" underwriting, the investment bank purchases the shares from the company and assumes the risk of reselling them to the public.
34. **Question:** Venture capital investors are typically the main target audience in a rights offer. **Answer:** F **Feedback:** The sentence is FALSE. Venture capital investors are typically involved in private equity financing of young, growing companies, while a rights offer targets existing shareholders.
35. **Question:** An IPO guarantees that the company will achieve its long-term financial goals. **Answer:** F **Feedback:** The sentence is FALSE. An IPO provides capital and visibility but does not guarantee the achievement of long-term financial goals, which depend on various factors including management, market conditions, and competition.
36. **Question:** A 'rights offer' is the sale of new shares to the general public in the market. **Answer:** F **Feedback:** The sentence is FALSE. A rights offer is a sale of new shares offered specifically to existing shareholders, giving them the "right" to purchase new shares to maintain their proportional ownership.
37. **Question:** Underwriters face no risk during an IPO, so that a greenshoe provision is usually not necessary. **Answer:** F **Feedback:** The sentence is FALSE. Underwriters do face risk during an IPO, especially if they guarantee to sell shares at a set price (firm commitment). A greenshoe provision is used to mitigate this risk by allowing them to stabilize the stock price.
38. **Question:** A private company goes public to facilitate future acquisitions or mergers by using its stock as currency. **Answer:** T **Feedback:** The sentence is TRUE. Having publicly traded stock provides a valuable currency that can be used to acquire other companies, which is often more flexible than using cash.
39. **Question:** The liquidity of a private company's shares is typically higher than that of a publicly traded company. **Answer:** F **Feedback:** The sentence is FALSE. The liquidity of a private company's shares is typically much lower than that of a publicly traded company, as there is no organized market for their frequent trading.
40. **Question:** The main motivation for a company to conduct an IPO is usually access to much larger capital and greater liquidity for its shares. **Answer:** T **Feedback:** The sentence is TRUE. These are the primary strategic benefits that drive a company to undertake the complex and costly process of going public.
41. **Question:** The transaction costs of an IPO are generally insignificant compared to the total value raised. **Answer:** F **Feedback:** The sentence is FALSE. The transaction costs of an IPO are typically significant, representing a considerable percentage of the gross proceeds raised.
42. **Question:** A 'cash offer' always ensures that shares are sold to existing shareholders. **Answer:** F **Feedback:** The sentence is FALSE. A cash offer is a type of seasoned equity offering where shares are sold to the general public or institutional investors, not exclusively to existing shareholders.
43. **Question:** The primary market involves the buying and selling of existing shares among investors. **Answer:** F **Feedback:** The sentence is FALSE. The primary market is where new securities are first sold to investors by the issuer; the secondary market is where existing securities are traded among investors.
44. **Question:** CVM (Comissão de Valores Mobiliários) is the regulatory body in Brazil responsible for overseeing the capital market, including IPOs. **Answer:** T **Feedback:** The sentence is TRUE. The CVM plays a role similar to the SEC in the United States, regulating the issuance and trading of securities to protect investors.
45. **Question:** Institutional investors, like big Banks, who buy equity in small private firms are called angel investors. **Answer:** F **Feedback:** The sentence is FALSE. Institutional investors who buy equity in small private firms are typically called venture capitalists or private equity firms; angel investors are usually wealthy individuals who provide seed funding.
46. **Question:** The goal of an IPO for early investors (private equity, venture capital) is often to monetize their investment. **Answer:** T **Feedback:** The sentence is TRUE. An IPO provides a clear path to liquidity (an "exit"), allowing early-stage investors to sell their shares and realize the returns on their initial investment.
47. **Question:** A company that is already publicly traded is prohibited from conducting seasoned equity offerings (SEO). **Answer:** F **Feedback:** The sentence is FALSE. A company that is already publicly traded can and often does conduct seasoned equity offerings (SEOs) to raise additional capital after its IPO.
48. **Question:** Stock price volatility is common in the first few months after an IPO. **Answer:** T **Feedback:** The sentence is TRUE. Due to uncertainty, speculation, and the expiration of lock-up periods, newly listed stocks often experience significant price swings.
49. **Question:** A 'dual-class share structure' allows founders to maintain disproportionate voting power. **Answer:** T **Feedback:** The sentence is TRUE. This structure creates different classes of stock, with one class (typically held by founders) having more votes per share than the class sold to the public.
50. **Question:** A company's decision to go public is generally a long-term strategic decision. **Answer:** T **Feedback:** The sentence is TRUE. It involves fundamental changes to the company's structure, governance, and obligations, and is not undertaken lightly as a short-term tactic.
51. **Question:** In a greenshoe option, underwriters buy shares back from the market to stabilize the stock price. **Answer:** F **Feedback:** The sentence is FALSE. In a greenshoe option, underwriters sell additional shares to cover over-allotments and can buy shares back from the market only if the price falls below the offer price to stabilize it, but their primary function is to manage over-allotment.
52. **Question:** An SEO (Seasoned Equity Offering) can be a primary offering (new shares) or a secondary offering (shares from existing shareholders). **Answer:** T **Feedback:** The sentence is TRUE. A primary offering raises new capital for the company, while a secondary offering allows existing large shareholders to sell their shares to the public.
53. **Question:** The stock price of a newly public company is always stable in the first year post-IPO. **Answer:** F **Feedback:** The sentence is FALSE. The stock price of a newly public company is often highly volatile in the first year post-IPO, subject to market fluctuations, earnings reports, and analyst coverage.
54. **Question:** Market capitalization is a measure of a company's value, calculated by multiplying its stock price by the number of outstanding shares. **Answer:** T **Feedback:** The sentence is TRUE. This is the standard formula for calculating a public company's total market value and is a key metric used by investors.
55. **Question:** A 'preliminary prospectus' guarantees that all information contained within is final and complete. **Answer:** F **Feedback:** The sentence is FALSE. A preliminary prospectus is an initial draft and states that the information is not yet final or complete, as it awaits regulatory approval and final pricing.
56. **Question:** Liquidity risk is one of the major concerns for investors in newly public companies. **Answer:** T **Feedback:** The sentence is TRUE. Although public, a newly listed stock may initially have a low trading volume (float), making it difficult to buy or sell large quantities without affecting the price.
57. **Question:** IPOs are underpriced on average. **Answer:** T **Feedback:** The sentence is TRUE. This is a well-documented phenomenon where the offering price is often lower than the price at which the stock first trades in the secondary market, resulting in a positive first-day return.
58. **Question:** IPOs are always a cheaper method of raising capital than bank loans. **Answer:** F **Feedback:** The sentence is FALSE. IPOs typically involve higher transaction costs (underwriting fees, legal, accounting) compared to traditional bank loans, making them often a more expensive way to raise capital in terms of direct costs.
59. **Question:** An underwriter is an investment bank that manages the IPO process and helps the company sell its stock. **Answer:** T **Feedback:** The sentence is TRUE. The underwriter acts as a crucial intermediary between the issuing company and the investing public.
60. **Question:** Before an IPO, the company prepares the final registration statement and final prospectus containing all the details of the IPO, including the number of shares offered and the offer price. **Answer:** T **Feedback:** The sentence is TRUE. These final documents are legally required and must be approved by the regulatory authority before the IPO can proceed.
61. **Question:** Bookbuilding is a process where underwriters collect indications of interest from investors to help price the IPO. **Answer:** T **Feedback:** The sentence is TRUE. By gauging demand from institutional investors at different price points, underwriters can determine an offering price that is likely to be well-received by the market.
62. **Question:** The final offer price of an IPO is always determined exclusively by the issuing company. **Answer:** F **Feedback:** The sentence is FALSE. The final offer price of an IPO is typically determined through negotiation between the issuing company and the lead underwriters, often informed by the bookbuilding process and market conditions.
63. **Question:** An 'over-allotment option' can only be exercised if the stock price falls after the IPO. **Answer:** F **Feedback:** The sentence is FALSE. An over-allotment option (greenshoe) is typically exercised by underwriters if the stock price rises above the offering price in the aftermarket, allowing them to cover their short position.
64. **Question:** Quiet period is a term used to describe the period after an IPO when company executives cannot communicate with the public. **Answer:** F **Feedback:** The sentence is FALSE. The quiet period generally refers to the time *before* and *immediately after* an IPO when the company and underwriters are restricted from making public statements that could improperly influence the market for the new shares.
65. **Question:** An IPO always increases the wealth of existing shareholders. **Answer:** F **Feedback:** The sentence is FALSE. While IPOs often provide liquidity and can increase wealth, they do not always guarantee an increase in wealth for existing shareholders, as the stock price can fall below the offering price or even its pre-IPO valuation.
66. **Question:** IPO allocation refers to the process of distributing shares to interested investors. **Answer:** T **Feedback:** The sentence is TRUE. After the IPO is priced, the underwriters allocate the shares to the investors who participated in the bookbuilding process.
67. **Question:** The lock-up period for insiders typically lasts for a short duration, usually a week. **Answer:** F **Feedback:** The sentence is FALSE. The lock-up period for insiders typically lasts for a longer duration, commonly 90 to 180 days (3 to 6 months), to prevent an immediate flood of shares onto the market.
68. **Question:** The volatility of newly issued stock prices is always lower in developed markets than in emerging markets. **Answer:** F **Feedback:** The sentence is FALSE. While developed markets might have more stable overall conditions, the volatility of newly issued stock prices in IPOs can be high in any market, regardless of development status, due to novelty and speculative interest.
69. **Question:** The aftermarket performance of an IPO is often unpredictable and subject to market conditions (but many IPOs have a positive first-day return). **Answer:** T **Feedback:** The sentence is TRUE. While many IPOs are underpriced leading to a first-day "pop," their long-term performance is uncertain and depends on the company's execution and the broader market environment.
70. **Question:** IPO pricing is a delicate balance between maximizing capital raised and ensuring good performance in the secondary market. **Answer:** T **Feedback:** The sentence is TRUE. If the price is too high, the stock may perform poorly. If it's too low (underpriced), the company "leaves money on the table."
71. **Question:** Investment banks play a crucial role in pricing and marketing new stock issues. **Answer:** T **Feedback:** The sentence is TRUE. This is their primary function as underwriters: they use their expertise and network to value the company, market the issue, and distribute the shares.
72. **Question:** The 'roadshow' phase in an IPO aims to generate demand and educate potential investors about the company. **Answer:** T **Feedback:** The sentence is TRUE. It is a critical marketing effort where management presents the company's story to institutional investors to build the "book" of orders for the stock.
73. **Question:** The issuing company receives all the money from a secondary market stock sale. **Answer:** F **Feedback:** The sentence is FALSE. The issuing company does not receive money from a secondary market stock sale; the proceeds go to the selling shareholder, as it involves trading existing shares among investors.
74. **Question:** 'Analyst coverage' generally increases after an IPO, which can enhance the company's visibility. **Answer:** T **Feedback:** The sentence is TRUE. After a company goes public, analysts from investment banks begin to cover the stock, providing research and recommendations that increase its exposure to investors.
75. **Question:** Underwriters in an IPO often form a syndicate to share the responsibility of selling the new issue. **Answer:** T **Feedback:** The sentence is TRUE. Forming a syndicate allows investment banks to distribute a large offering more widely and share the financial risk associated with the deal.
76. **Question:** Regulatory requirements for public companies are generally more stringent than for private companies. **Answer:** T **Feedback:** The sentence is TRUE. Public companies are subject to extensive disclosure and governance rules to protect public investors, which do not apply to private firms.
77. **Question:** Listing on a stock exchange is optional for companies conducting an IPO. **Answer:** F **Feedback:** The sentence is FALSE. Listing on a stock exchange is not optional for companies conducting an IPO, as it is the primary venue for public trading and liquidity for the shares.
78. **Question:** A 'Dutch auction' in an IPO favors investors who pay the highest prices for the shares. **Answer:** F **Feedback:** The sentence is FALSE. In a Dutch auction, all winning bidders pay the same price, which is the lowest successful bid, not necessarily the highest price they were willing to pay.
79. **Question:** Bookbuilding is a common method used by underwriters to determine the IPO price. **Answer:** T **Feedback:** The sentence is TRUE. It has become the dominant method for pricing IPOs globally because it allows underwriters to gauge real-time market demand.
80. **Question:** A dual-class share structure allows company founders to maintain control even after going public. **Answer:** T **Feedback:** The sentence is TRUE. By holding shares with superior voting rights, founders can retain control over strategic decisions even with a minority of the total equity.
81. **Question:** By going public, companies give their private equity investors the ability to diversify. **Answer:** T **Feedback:** The sentence is TRUE. An IPO converts illiquid, concentrated holdings into publicly traded shares that early investors can sell, allowing them to reinvest the capital into other assets and diversify their portfolios.
82. **Question:** CVM does not require companies to disclose their financial results after the IPO, only before. **Answer:** F **Feedback:** The sentence is FALSE. CVM (and other regulatory bodies like the SEC) requires public companies to continuously disclose their financial results and other material information *after* the IPO.
83. **Question:** The main goal of 'underpricing' in an IPO is to create positive sentiment and attract investors to the secondary market. **Answer:** T **Feedback:** The sentence is TRUE. A positive first-day return (the "pop") generates good publicity and can create sustained buying interest in the aftermarket.
84. **Question:** Retail investors are always the first to receive share allocations in high-demand IPOs. **Answer:** F **Feedback:** The sentence is FALSE. In high-demand IPOs, institutional investors and preferred clients of the underwriting banks often receive priority in share allocations over retail investors.
85. **Question:** A common practice of early investors in private companies is to stay for a long time, i.e., years after the company's IPO. **Answer:** F **Feedback:** The sentence is FALSE. A common practice for early investors (like venture capitalists) is to exit their investment (sell their shares) within a few years after the IPO, as it provides liquidity for their prior investment.
86. **Question:** A company must always conduct an IPO to raise equity capital. **Answer:** F **Feedback:** The sentence is FALSE. A company does not always have to conduct an IPO to raise equity capital; it can also do so through private placements, venture capital, angel investors, or debt financing.
87. **Question:** A rights offer occurs when new shares are sold to investors at large. **Answer:** F **Feedback:** The sentence is FALSE. A rights offer involves selling new shares exclusively to existing shareholders, giving them the option to buy more shares to maintain their proportional ownership.
88. **Question:** The main disadvantage of going public is the complete elimination of financial risks for the company. **Answer:** F **Feedback:** The sentence is FALSE. Going public does not eliminate financial risks; instead, it introduces new ones such as market volatility, increased regulatory scrutiny, and public pressure on performance.
89. **Question:** Lock-up periods restrict company insiders from selling their shares immediately after an IPO. **Answer:** T **Feedback:** The sentence is TRUE. This is a standard feature of IPOs designed to promote price stability in the aftermarket by preventing an immediate and large supply of shares from insiders.
90. **Question:** Share dilution occurs when new shares are issued, reducing the ownership percentage of existing shareholders. **Answer:** T **Feedback:** The sentence is TRUE. When a company issues new equity, the total number of shares increases, causing the ownership stake of existing shareholders to decrease proportionally unless they participate in the new offering.
91. **Question:** Venture capitalists typically do not seek board representation, as their primary interest is solely financial returns. **Answer:** F **Feedback:** The sentence is FALSE. Venture capitalists often demand board seats and significant control rights to protect their investment and guide the company's strategic direction.
92. **Question:** A Simple Agreement for Future Equity (SAFE) is a debt instrument that always requires regular interest payments before conversion to equity. **Answer:** F **Feedback:** The sentence is FALSE. A SAFE is an investment contract, not a debt instrument, and it typically does not accrue interest or require regular payments; its purpose is to convert into equity at a future financing round.
93. **Question:** Private equity firms primarily focus on investing in early-stage startup companies, similar to angel investors. **Answer:** F **Feedback:** The sentence is FALSE. Private equity firms primarily invest in existing, more mature privately held firms or take publicly traded companies private through leveraged buyouts (LBOs), differing from the early-stage focus of angel investors or venture capitalists.
94. **Question:** The main purpose of a stock exchange listing after an IPO is to directly provide additional capital to the issuing company through continuous share sales. **Answer:** F **Feedback:** The sentence is FALSE. While an IPO raises capital for the issuing company, the main purpose of a stock exchange listing is to provide a public market for the *secondary trading* of existing shares among investors, offering liquidity to shareholders.
95. **Question:** The 'Winner's Curse' in IPOs suggests that investors who receive full allocation of shares are typically the most informed and will consistently achieve the highest returns. **Answer:** F **Feedback:** The sentence is FALSE. The 'Winner's Curse' indicates that investors who receive full allocation often do so because demand from others was low, implying they may have overestimated the value of the shares, leading to poorer performance.
96. **Question:** In a liquidation scenario, common stockholders always receive payment before holders of preferred stock with liquidation preference. **Answer:** F **Feedback:** The sentence is FALSE. Holders of preferred stock with liquidation preference are typically paid a minimum amount before any payments are distributed to common stockholders in a liquidation event.
97. **Question:** A "seed round" of funding, typically led by angel investors, always involves the issuance of common stock with full voting rights. **Answer:** F **Feedback:** The sentence is FALSE. A seed round, especially with angel investors, often involves convertible notes or SAFEs (Simple Agreements for Future Equity) rather than immediate common stock, or preferred stock without full voting rights.
98. **Question:** Private equity firms typically hold their portfolio company investments for very short periods, usually less than one year, to maximize quick returns. **Answer:** F **Feedback:** The sentence is FALSE. Private equity firms typically hold their investments for medium to long terms (e.g., 3-7 years) to implement operational improvements and achieve significant value creation before exiting.
99. **Question:** Venture capital firms prefer to invest in mature companies with established revenue streams and low growth potential, as these present less risk. **Answer:** F **Feedback:** The sentence is FALSE. Venture capital firms specifically target early-stage, high-growth potential companies, even if they are pre-revenue, seeking significant returns on innovative but higher-risk ventures.
100. **Question:** Corporate investors, such as large companies, invest in private firms solely for financial returns, with no interest in strategic objectives. **Answer:** F **Feedback:** The sentence is FALSE. While corporate investors seek financial returns, they often invest in private companies for corporate strategic objectives (e.g., access to new technology, markets, or talent), in addition to or sometimes even prioritized over purely financial returns.