

1. Samuel is obviously a bad fisherman. During the past season, in which he and the five members of his team spent four months on a boat together off Dutch Harbor, AK, he caught fewer fish than any of his teammates.

Which of the following, if true, most weakens the argument above?

- A) Two seasons ago, Samuel fished on another boat off Dutch Harbor and caught more fish than any other member of that boat.
- B) Before becoming a fisherman, Samuel piloted a fishing boat whose members regularly caught record numbers of fish.
- C) While fishing this past season, Samuel fell sick for a week and did not catch any fish during this time.
- D) Unlike the other fishermen on his boat, at the order of the captain, Samuel fished this past season with experimental bait.
- E) Amongst the fishing community in Dutch Harbor, Samuel has a reputation for being an especially bad fisherman.

Ans: D

2. Virtually all health experts agree that second-hand smoke poses a serious health risk. After the publication of yet another research paper explicating the link between exposure to second-hand smoke and a shorter life span, some members of the State House of Representatives proposed a ban on smoking in most public places in an attempt to promote quality of life and length of lifespan.

Which of the following, if true, provides the most support for the actions of the State Representatives?

- A) The amount of damaging chemicals and fumes released into the air by cigarette smoke is far less than the amount released from automobiles, especially from older models.
- B) Banning smoking in most public places will not considerably reduce the percent of the population in the state in question that smokes.
- C) The state whose legislators are proposing the tough smoking legislation has a relatively high percent of its population that smoke.
- D) Another state that enacted a similar law a decade ago saw a statistically significant drop in lung-cancer rates among non-smokers.
- E) A nearby state up-wind has the highest number of smokers in the country.

Ans: D

3. Net Neutrality stipulates that Internet service providers (ISP) cannot partition their bandwidth such that different types of Internet communications have different maximum bandwidth capacities. For example, an ISP cannot relegate high bandwidth voice-over-IP (VoIP) traffic to a separate tunnel in an attempt to ensure that users of low-bandwidth functions such as plain-text email are not slowed down by the high-bandwidth users. Some individuals support implementing Net Neutrality on the principle that one group (i.e., users of high-bandwidth services) should not be effectively penalized for the actions of another group (i.e., users of slow-bandwidth services, who have a special traffic lane carved out for them, thereby slowing high-bandwidth users). Which of the following, if true, most seriously weakens the argument of the supporters of Net Neutrality mentioned above?
- A) The jobs of many high-bandwidth users require these individuals to use high-bandwidth services.
 - B) Placing no restrictions on the bandwidth of individuals who use high-bandwidth services would force ISPs to purchase massive amounts of expensive additional bandwidth, disproportionately increasing the price of access for low-bandwidth users.
 - C) A strong and well respected lobbying firm recently revealed it has been hired by large telecommunications firms to oppose Net Neutrality on the grounds that it infringes upon a private company's ability to do business.
 - D) One country that mandated Net Neutrality saw a decrease in satisfaction of Internet users.
 - E) A recent court ruling upheld the principle that technology companies cannot discriminate in whom they serve or how they serve users.

Ans: B

4. Eating beets significantly lowers the risk of cancer, according to an article in a nutritional magazine. The article refers to a study that found that people who consumed one or more beets per day were half as likely to be diagnosed with the disease as people who did not. Which of the following, if true, most weakens the argument in the magazine article?
- A) Another study found that people who consumed one tablespoon of flax seed oil per day were more than four times less likely to be diagnosed with cancer as those who did not.
 - B) Participants in the study reported consuming no vegetables other than beets.
 - C) The study was only conducted in one city.
 - D) In another experiment, cancer patients who ate one or more beets per day were no more likely to recover than those who ate no beets.
 - E) The participants in the study who ate beets were more likely to exercise regularly than those who did not eat beets.

Ans: E

5. The strength of a suspension bridge rests in part on how deep the towers are anchored into the ground. During the first wave of suspension bridge construction, consistent with best-practices at the time, regulations required engineers to drill holes for the towers such that the portion of the tower below ground accounted for at least half of the height of the tower. After conducting an inspection into the depth of the holes drilled for the towers of the Watergate Bridge, constructed over 50 years ago during the first wave of suspension bridge construction, regulators noted that updated architectural norms and theory advised that the bridge's towers should be reinforced to meet anticipated increases in usage. Which of the following is most strongly supported by the information above?

- A) In light of current architectural theory, the Watergate Bridge should be closed until reinforcements can be added.
- B) The original regulations for the depth of the suspension tower failed to anticipate future changes in demand or architectural theory.
- C) Even with the implementation of the reinforcements advocated by the new architectural norms, the bridge will still not be safe.
- D) In light of the regulators' findings, every suspension bridge built during the first wave of construction must be updated to provide additional strength and carrying capacity.
- E) The action advocated by current architectural theory should not be undertaken since there is no evidence to guarantee that the reinforcements will be adequate or advisable in light of future architectural research.

Ans: B

6. The New Deal in America began in 1933 and included widespread bank reforms, unprecedented government infrastructure spending, and unparalleled expansion in the size of government. Some political commentators and economic historians contend that President Franklin Roosevelt's New Deal singlehandedly propelled the United States out of the Great Depression and into decades of uninterrupted prosperity. To support this claim, these economists note that during the years following 1933, GDP grew, unemployment shrunk, and optimism increased. Which of the following statements, if true, would most weaken the above argument?

- A) The considerable debt burden that the government assumed to fund the New Deal sparked fear in the minds of some economists, investors, and businessmen.
- B) The considerable government expenditures and massive labor requirements engendered by America's entry into World War II in late 1941 helped employ Americans and grow GDP.
- C) On average, GDP per capita fell and unemployment rose in many foreign countries during the years after President Roosevelt announced his New Deal.
- D) During 1939, the U.S. economy contracted sharply, unemployment jumped 5%, and America's optimism fell.
- E) U.S. GDP during the mid 1930s stood at levels much lower than 30 years later.

Ans: D

7. Based upon the results of a recent study, the net value of assets held by young adults or for the benefit of young adults exceeds the net value of assets held by middle-age working professionals with children. The common notion that young adults or so-called "twenty somethings" are bigger spenders and smaller savers than middle-age adults is, therefore, false.

The argument is primarily flawed for which of the following reasons?

- A) The argument does not properly consider the impact of the debt financing of assets.
- B) The argument never discusses the effects of filing for bankruptcy and twenty somethings' proclivity for deficit spending leading to bankruptcy.
- C) The argument never discusses the role that the country's tax code, which encourages financial investment on the part of twenty somethings, plays.
- D) The argument does not specify the exact amounts of saving and spending on the part of each age group.
- E) The argument never considers that the study compares assets held both by or for the benefit of young adults with assets held by working adults.

Ans: E

8. In an attempt to abate the pernicious decline in MicroChip's revenue brought about by shrinking demand that is accompanying an economic recession, MicroChip is offering customers a 50% discount for the next three months on all purchases fully paid for within 15 days.

Which of the following assumptions most underlies the chip maker's offer of a discount?

- A) MicroChip expects this discount to help the company retain existing customers and gain new ones, enabling the firm to survive in the long-term.
- B) There are no other competing chip companies with prices lower than the reduced price.
- C) The government will provide massive technology tax credits to businesses, spurring them to purchase chips and other related products.
- D) The government will not pursue MicroChip if in fact its behavior in offering a deep discount amounts to a violation of predatory pricing laws.
- E) The decrease in revenue brought about by the reduction in price will be smaller than the anticipated increase in revenue brought about by the increase in demand (spurred by the reduction in price).

Ans: E

9. An advertisement for E-News, a subscription-only online newspaper with no ads accompanying its content, argued that individuals should subscribe to E-News so as to eliminate wasted time that results from seeing and ignoring advertisements while attempting to read newspapers that feature ads.

Which of the following, if true, most severely weakens E-News' argument?

- A) Individuals who currently read only print newspapers are much less likely to enjoy a subscription news website without first learning about reading online news through a free news website.
- B) Free ad-sponsored news websites and blogs offer more content than E-News.
- C) E-News partners with other e-content providers, many of which always show numerous ads alongside their content.
- D) For regions of the country that lack adequate internet coverage, switching to an online subscription website is not logical.
- E) E-News recently announced it would sell some of its content to ad-supported websites and print newspapers.

Ans: C

10. A recent article in one of the nation's leading newspapers noted that despite the government's warning about peanut butter likely being contaminated by salmonella and the government's subsequent recall of a limited amount of peanut butter, 90% of grocery store shoppers surveyed said that they did not plan to change their peanut butter purchasing habits. Nevertheless, roughly two months after the limited recall and one month after the leading newspaper published its article, the country's peanut butter manufacturers reported that same-store sales to grocery store shoppers fell 75% year-over-year.

Which of the following, if true, best explains the apparent paradox above?

- A) The initial survey of shoppers failed to consider the effect of subsequent cuts in the price of peanut butter.
- B) Fearing additional instances of contamination and subsequent lawsuits, many retailers that sold peanut butter removed the product voluntarily from their shelves.
- C) A report similar to the report that appeared in the leading newspaper appeared in one of the nation's tabloid magazines on the same day.
- D) Days before the newspaper conducted its survey, a widely-respected bacterial research specialist published an op-ed article in a major newspaper arguing that the threat from salmonella-infected peanut butter was smaller than the government would later contend.
- E) A study published after the government recall of some peanut butter stated that individuals intended to change the type of jelly and bread they purchased.

Ans: B

11. Political Commentator: During the previous presidential administration, members of congress approved large tax cuts and yet the economy today stands in shambles. During the current economic crisis, those who espouse large tax cuts as an economic stimulus should consider the failure of tax cuts during the past eight years to prevent the current economic recession as conclusive evidence that tax cuts will not help the country escape from its current economic troubles.

Which of the following, if true, most weakens the argument above?

- A) The large tax cuts of the past administration targeted the capital gains on the financial investments of the ultra-rich while proponents of tax cuts today suggest cutting payroll taxes for both employers and employees.
- B) Economists from across the spectrum now agree that tax cuts helped stem the country's most severe recession in history, which occurred about 70 years ago prior to industrialization in this country.
- C) Economists from across the spectrum predict that if Congress fails to pass the tax-cut legislation, which also includes government spending and much more, it could well be 15 years before the economy escapes the current recession.
- D) Economists from across the spectrum agree that these tax cuts will add less to the fiscal deficit than the tax cuts of the previous administration.
- E) During the most recent political campaign cycle, which featured many deceptive political attacks, the governor of a prosperous state attacked those who opposed tax cuts by citing his own state's ostensible prosperity.

Ans: A

12. After studying a random sample of 1024 individuals who had smoked daily for at least three years and comparing the results of this study with the results of a study of 1024 individuals who had never smoked, a group of researchers concluded that habitual smoking causes increased difficulties in concentrating.

Which of the following, if true, most severely weakens the researchers' conclusion?

- A) The addiction to smoking and the cravings this addiction engenders is often on the mind of habitual smokers.
- B) Some non-smokers with attention deficit disorder (ADD), which causes an inability to concentrate, display even less ability to concentrate than some smokers.
- C) A separate research study found that smokers and non-smokers exhibited statistically significant differences in their incarceration rates.
- D) After developing a severe addiction to smoking for fifteen years, the ability of many individuals to concentrate is decreased.
- E) A separate research study found that individuals with preexisting attention and concentration disorders exhibited significantly higher rates of trying cigarettes and subsequently becoming addicted to smoking.

Ans: E

13. Any serious policy discussion about acceptable levels of risk in connection with explosions is not well served if the participants fail to use the word “explosion” and use the phrase “energetic disassembly” instead. In fact, the word “explosion” elicits desirable reactions, such as a heightened level of attention, whereas the substitute phrase does not. Therefore, of the two terms, “explosion” is the one that should be used throughout discussions of this sort.

Which of the following is an assumption on which the argument above depends?

- A) In the kind of discussion at issue, the advantages of desirable reactions to the term “explosion” outweigh the drawbacks, if any, arising from undesirable reactions to that term.
- B) The phrase “energetic disassembly” has not so far been used as a substitute for the word “explosion” in the kind of discussion at issue.
- C) In any serious policy discussion, what is said by the participants is more important than how it is put into words.
- D) The only reason that people would have for using “energetic disassembly” in place of “explosion” is to render impossible any serious policy discussion concerning explosions.
- E) The phrase “energetic disassembly” is not necessarily out of place in describing a controlled rather than an accidental explosion

Ans: A

14. We doubt that the latest government report will scare Americans away from ham, bacon, sausages, hot dogs, bologna, and salami or that it will empty out the bars or cause a run on natural food supplies. If a diet were to be mandated from Washington, Americans probably would order the exact opposite course. Therefore, the diet that does make sense is to eat a balanced and varied diet composed of foods from all food groups and containing a reasonable caloric intake.

Which of the following is (are) specifically implied by the passage?

- I. Vitamins are necessary to combat disease.
- II. A recent report warned of the risks of meat and alcoholic beverages.
- III. Unorthodox suggestions for a more nutritional diet were recently made by the government.

- A) I only
- B) II only
- C) III only
- D) I and II only
- E) II and III only

Ans: B

15. The new vehicle inspection program is needed to protect the quality of the state's air, for us and for our children. Auto exhausts are a leading contributor to coughing, wheezing, choking, and pollution. The state's long-term interests in the health of its citizens and in this area as a place to live, work, and conduct business depend on clean air.

Which of the following is an unstated assumption made by the author?

- A) Working and conducting business may be different activities.
- B) The Minister believes that Indian companies are looking for business expansion. The state has been interested in the health of its citizens even before this inspection program was proposed.
- C) Exhaust emissions contribute to pollution.
- D) The new inspection program will be effective.
- E) Our ancestors did not suffer from air pollution.

Ans: D

16. Which of the following is the most logical completion of the passage below?
In the 1940s, the introduction of the 33 rpm long-playing vinyl record completely changed the way we listen to music. The breakable and three minute 78 rpm record soon disappeared from the marketplace. In our day, the compact disk, superior in quality and convenience, has replaced the vinyl long-playing record and will . . .

- A) increase the size of the record-buying public.
- B) increase the profits of the record industry.
- C) drive the 78 rpm record from the second-hand market.
- D) make the manufacture of phonographs that play 33 rpm records unnecessary.
- E) encourage the growth of computer-generated music.

Ans: D

17. In most economies, the government plays a role in the market system. Governments enforce the "rules of the game," impose taxes, and may control prices through price ceilings or price supports. These actions necessarily may create shortages or surpluses. In most developed and interdependent economies, the necessity of the government's playing some role in the economy is disputed.

The author of the passage would probably agree that

- F) economic surpluses are always good.
- G) market shortages are a necessary evil.
- H) higher prices strengthen the economy.
- I) price ceilings add to the shortages.
- J) surpluses are not usually created intentionally.

Ans: D

18. That the policy of nuclear deterrence has worked thus far is unquestionable. Since the end of the Second World War, the very fact that there were nuclear armaments in existence has kept major powers from using nuclear weapons, for fear of starting a worldwide nuclear exchange that would make the land of the power initiating it uninhabitable. The proof is that a third world war between superpowers has not happened.

Which one of the following, if true, indicates a flaw in the argument?

- A) Maintaining a high level of nuclear armaments represents a significant drain on a country's economy.
- B) From what has happened in the past, it is impossible to infer with certainty what will happen in the future, so an accident could still trigger a third world war between superpowers.
- C) Continuing to produce nuclear weapons beyond the minimum needed for deterrence increases the likelihood of a nuclear accident.
- D) The major powers have engaged in many smaller-scale military operations since the end of the Second World War, while refraining from a nuclear confrontation.
- E) It cannot be known whether it was nuclear deterrence that worked, or some other factor, such as recognition of the economic value of remaining at peace.

Ans: E

19. Something must be done to stop spam. **In early days, people seldom received unsolicited email advertisement;** but now that numerous bulk email software and email address finders are developed to collect email address all around the world. Advertisers use email addresses to market their products and even sell such email lists to other advertisers. As a result, almost everyone ever get junk email, and sometime several and even tens of annoying emails a day. **So, relevant anti-spam regulations should be framed to stop unsolicited advertising.**

The two portions in boldface play which of the following roles?

- A) Background that the argument depends on and conclusion that can be drawn from the argument.
- B) Part of evidence that the argument includes, and inference that can be drawn from this passage.
- C) Pre-evidence that the argument depends on and part of evidence that supports the conclusion.
- D) Background that argument depends on and part of evidence that supports the conclusion.
- E) Pre-evidence that argument includes and a method that helps to supports that conclusion.

Ans: B

20. In Millington, a city of 50,000 people, Mercedes Pedrosa, a realtor, calculated that a family with Millington's median family income, \$28,000 a year, could afford to buy Millington's median-priced \$77,000 house. This calculation was based on an 11.2 percent mortgage interest rate and on the realtor's assumption that a family could only afford to pay up to 25 percent of its income for housing.

Which of the following corrections of a figure appearing in the passage above, if it were the only correction that needed to be made, would yield a new calculation showing that even incomes below the median family income would enable families in Millington to afford Millington's median-priced house?

- A) Millington's total population was 45,000 people.
- B) Millington's median annual family income was \$27,000
- C) Millington's median-priced house cost \$80,000
- D) The rate at which people in Millington had to pay mortgage interest was only 10 percent.
- E) Families in Millington could only afford to pay up to 22 percent of their annual income for housing.

Ans: D

21. Below is an excerpt from a letter that was sent by the chairman of a corporation to the stockholders.

A number of charges have been raised against me, some serious, some trivial. Individuals seeking to control the corporation for their own purposes have demanded my resignation. Remember that no court of law in any state has found me guilty of any criminal offense whatsoever. In the American tradition, as you know, an individual is considered innocent until proven guilty. Furthermore, as the corporation's unbroken six-year record of growth will show, my conduct of my official duties as chairman has only helped enhance the success of the corporation, and so benefited every stockholder.

Which of the following can be properly inferred from the excerpt?

- (A) The chairman believes that all those who have demanded his resignation are motivated by desire to control the corporation for their own purposes.
- (B) Any misdeeds that the chairman may have committed were motivated by his desire to enhance the success of the corporation.
- (C) The chairman is innocent of any criminal offense.
- (D) The corporation has expanded steadily over the past six years
- (E) Any legal proceedings against the chairman have resulted in his acquittal.

Ans: D

22. Toughened hiring standards have not been the primary cause of the present staffing shortage in public schools. The shortage of teachers is primarily caused by the fact that in recent years teachers have not experienced any improvements in working conditions and their salaries have not kept pace with salaries in other professions.

Which of the following, if true, would most support the claims above?

- A. Many teachers already in the profession would not have been hired under the new hiring standards.
- B. Today more teachers are entering the profession with a higher educational level than in the past.
- C. Some teachers have cited higher standards for hiring as a reason for the current staffing shortage.
- D. Many teachers have cited low pay and lack of professional freedom as reasons for their leaving the profession.
- E. Many prospective teachers have cited the new hiring standards as a reason for not entering the profession.

Ans: C

23. The average age of chief executive officers (CEO's) in a large sample of companies is 57. The average age of CEO's in those same companies 20 years ago was approximately eight years younger. On the basis of those data, it can be concluded that CEO's in general tend to be older now.

Which of the following casts the most doubt on the conclusion drawn above?

- A. The dates when the CEO's assumed their current positions have not been specified.
- B. No information is given concerning the average number of years that CEO's remain in office.
- C. The information is based only on companies that have been operating for at least 20 years.
- D. Only approximate information is given concerning the average age of the CEO's 20 years ago.
- E. Information concerning the exact number of companies in the sample has not been given.

Ans: C

24. During the Second World War, about 375,000 civilians died in the United States and about 408,000 members of the United States armed forces died overseas. On the basis of those figures, it can be concluded that it was not much more dangerous to be overseas in the armed forces during the Second World War than it was to stay at home as a civilian. Which of the following would reveal most clearly the absurdity of the conclusion drawn above?

- A) Counting deaths among members of the armed forces who served in the United States in addition to deaths among members of the armed forces serving overseas
- B) Expressing the difference between the numbers of deaths among civilians and members of the armed forces as a percentage of the total number of deaths
- C) Separating deaths caused by accidents during service in the armed forces from deaths caused by combat injuries
- D) Comparing death rates per thousand members of each group rather than comparing total numbers of deaths
- E) Comparing deaths caused by accidents in the United States to deaths caused by combat in the armed forces.

Ans: D

25. The media claim that the economy is entering a phase of growth and prosperity. They point to lower unemployment rates and increased productivity. Their analysis is false, though. The number of people filing for bankruptcy has increased every month for the last six months and bankruptcy lawyers report that they are busier than they have been in years. Which of the following is an assumption on which the argument depends?

- A) Unemployment rates are not useful indicators of growth and prosperity.
- B) Economic growth cannot be measured in terms of productivity.
- C) Legislation has not been recently passed to make legal bankruptcy easier to obtain.
- D) There has not been an increase in the number of bankruptcy lawyers.
- E) The media often misrepresent the current state of economic affairs.

Ans: C

26. Toddlers are not being malicious when they bite people. For example, a child may want a toy, and feel that the person he or she bites is preventing him or her from having it. The situation as described above most closely conforms to which one of the following generalizations?

- A) Biting people is sometimes a way for toddlers to try to solve problems.
- B) Toddlers sometimes engage in biting people in order to get attention from adults.
- C) Toddlers mistakenly believe that biting people is viewed as acceptable behavior by adults.
- D) Toddlers do not recognize that by biting people they often thwart their own ends.
- E) Resorting to biting people is in some cases an effective way for toddlers to get what they want.

Ans: A

27. Critic: People today place an especially high value on respect for others; yet, in their comedy acts, many of today's most popular comedians display blatant disrespect for others. But when people fail to live up to the very ideals they hold in highest esteem, exaggeration of such failings often forms the basis of successful comedy. Thus the current popularity of comedians who display disrespect in their acts is hardly surprising.

The critic's argument depends on which one of the following assumptions?

- A) People who enjoy comedians who display disrespect in their acts do not place a high value on respect for others.
- B) Only comedians who display blatant disrespect in their acts are currently successful.
- C) Many people disapprove of the portrayal of blatant disrespect for others in comedy acts.
- D) People who value an ideal especially highly do not always succeed in living up to this ideal.
- E) People today fail to live up to their own ideals more frequently than was the case in the past.

Ans: D

28. In the course of her researches, a historian recently found two documents mentioning the same person, Erich Schnitzler. One, dated May 3, 1739, is a record of Schnitzler's arrest for peddling without a license. The second, undated, is a statement by Schnitzler asserting that he has been peddling off and on for 20 years.

The facts above best support which of the following conclusions?

- A) Schnitzler started peddling around 1719.
- B) Schnitzler was arrested repeatedly for peddling.
- C) The undated document was written before 1765.
- D) The arrest record was written after the undated document.
- E) The arrest record provides better evidence that Schnitzler peddled than does the undated document.

Ans: C

29. Acme brand aspirin claims to be the best headache relief available on the market today. To prove this claim, Acme called 10 people and asked them their thoughts on headache relief products. All 10 of them stated that they unequivocally use Acme brand aspirin on a regular basis and that they believe it to be the best headache relief available on the market today. Which of the following would most weaken this argument?

- A) Acme brand aspirin is highly addictive.
- B) The 10 people called were spouses of Acme employees.
- C) Most people choose to suffer silently through their headaches and take no medicines whatsoever.
- D) The 10 people called own stock in a competing company.
- E) The 10 people were selected at random.

Ans: B

30. My neighbor's dogs bark and howl every time their owner lets them outside. My CPA told me that dogs tend to bark and howl when they see birds resting in the top branches of their favorite trees. I personally believe they bark and howl because they enjoy disrupting my meditations.

Which of the following conclusions can be properly drawn from the preceding passage?

- A) The dogs must be abused by their owners.
- B) The dogs' owners do not make efforts to stop the dogs from barking and howling.
- C) There are many pedestrians who walk by this neighbor's house, and the dogs are starving for attention.
- D) The dogs frequently see birds in the tops of their favorite trees.
- E) The dogs will bark and howl at 3 a.m. if they are outside at that time.

Ans: E

31. Most citizens are very conscientious about observing a law when they can see the reason behind it. For instance, there has been very little need to actively enforce the recently-implemented law that increased the penalty for motorists caught leaving a gas station without paying for gas they had pumped into their vehicles. This is because citizens are very concerned about the high cost of gasoline and they know that stealing gas will only further increase the price of gasoline for everyone.

With which of the following statements would the author of this passage be most likely to agree?

- A) The increased penalty alone is a significant motivation for most citizens to obey the law.
- B) There are still too many inconsiderate citizens in the local community.
- C) High gasoline prices can be brought down if everyone does his or her part and pays for the gasoline they use at the pumps.
- D) Society should make an effort to teach citizens the reasons for its laws.
- E) People would be more likely to speed on a stretch of deserted highway than to not pay for gasoline.

Ans:D

32. Stock analyst: "We believe Company A's stock will appreciate at 35% a year for the next 5 to 7 years. Company A just became the leader in its industry and we expect its sales to grow at 8% a year."

Commentator: "But how can the stock's price be expected to grow more quickly than the company's underlying sales?"

Which of the following, if true, would best support the stock analyst's prediction?

- A) The company's expenses will be declining over the next 5 to 10 years.
- B) The company just won a patent on a new product.
- C) Company A's stock is currently overvalued by a significant amount.
- D) The 5 to 7 year time frame is too long for anyone to accurately forecast.
- E) Company A's industry peer group is expected to experience stock appreciation rates of 30% over the same time horizon.

Ans: A