45 Lecture - MGT101

Important Subjective

1. **What is meant by market capitalization and how is it calculated?**
Ans: Market capitalization is the total value of a company's outstanding shares of stock. It is calculated by multiplying the company's current stock price by the total number of outstanding shares.

2. **Explain the significance of the price-earnings ratio (P/E ratio).**
Ans: The P/E ratio is a measure of a company's valuation. It shows how much investors are willing to pay for each dollar of earnings. A high P/E ratio can indicate that investors have high expectations for a company's future earnings growth.

3. **What is meant by return on equity (ROE)? How is it calculated?**
Ans: Return on equity is a measure of a company's profitability that shows how much profit the company generates for each dollar of shareholders' equity. It is calculated by dividing net income by shareholders' equity.

4. **What is the current ratio and how is it calculated?**
Ans: The current ratio is a measure of a company's ability to meet its short-term financial obligations. It is calculated by dividing current assets by current liabilities.

5. **What is the debt-to-equity ratio and how is it calculated?**
Ans: The debt-to-equity ratio is a measure of a company's financial leverage. It shows the proportion of debt to equity used to finance a company's assets. It is calculated by dividing total liabilities by shareholders' equity.

6. **How is the inventory turnover ratio calculated and what does it indicate?**
Ans: The inventory turnover ratio is a measure of how quickly a company sells its inventory. It is calculated by dividing the cost of goods sold by average inventory. A high inventory turnover ratio indicates that a company is selling its inventory quickly.

7. **What is the operating margin and how is it calculated?**
Ans: The operating margin is a measure of a company's operating profitability. It shows the percentage of each dollar of revenue that is left after subtracting the company's operating expenses. It is calculated by dividing operating income by revenue.

8. **Explain the significance of the return on assets (ROA) ratio.**
Ans: The ROA ratio measures a company's efficiency in generating profits from its assets. It shows how much profit the company generates for each dollar of assets. A higher ROA ratio indicates that a company is using its assets more efficiently to generate profits.

9. **How is the earnings per share (EPS) calculated and what does it indicate?**
Ans: The EPS is a measure of a company's profitability on a per-share basis. It is calculated by dividing net income by the number of outstanding shares of common stock. A higher EPS indicates that a company is generating more profits for each share of stock.

10. **What is the cash conversion cycle and how is it calculated?**
Ans: The cash conversion cycle is a measure of a company's efficiency in managing its cash flow. It shows the time it takes for a company to convert its investments in inventory and accounts receivable into cash. It is calculated by adding the average collection period, the average payment period, and the average inventory holding period.