1 Lecture - MGT201

Important Mcqs

1. **Which of the following is not a primary financial objective of a firm?**
A) Maximizing shareholder wealth
B) Maximizing profits
C) Maximizing sales revenue
D) Minimizing costs
Answer: C

2. **Which of the following statements is true about financial management?**
A) It is primarily concerned with making a profit.
B) It involves managing the use of money to maximize profits.
C) It is the same as accounting.
D) It only involves the use of financial data.
Answer: B

3. **What is the primary role of financial managers in a firm?**
A) To make decisions that maximize shareholder wealth
B) To make decisions that maximize profits
C) To make decisions that minimize costs
D) To make decisions that increase sales revenue
Answer: A

4. **Which of the following is not a capital budgeting technique?**
A) Payback period
B) Internal rate of return
C) Net present value
D) Financial statement analysis
Answer: D

5. **What is the goal of financial statement analysis?**
A) To determine the future profitability of a firm
B) To determine the market value of a firm's stock
C) To evaluate the liquidity and solvency of a firm
D) To determine the capital structure of a firm
Answer: C

6. **Which of the following financial ratios measures a firm's ability to meet its short-term obligations?**
A) Debt-to-equity ratio
B) Return on equity
C) Current ratio
D) Gross profit margin
Answer: C

7. **What is the difference between the present value and future value of money?**
A) The present value is the amount of money that will be received in the future, while the future value is the amount of money that is currently available.
B) The present value is the amount of money that is currently available, while the future value is the amount of money that will be received in the future.
C) The present value is the amount of money that will be received in the future, while the future value is the amount of money that will be needed in the future.
D) The present value is the amount of money that is currently available, while the future value is the amount of money that will be needed in the future.
Answer: B

8. **What is the purpose of a cash budget?**
A) To determine the amount of cash that will be needed to start a new business
B) To determine the amount of cash that will be needed to pay taxes
C) To determine the amount of cash that will be available for operating expenses
D) To determine the amount of cash that will be needed to finance capital expenditures
Answer: C

9. **What is the difference between operating cash flow and free cash flow?**
A) Operating cash flow is the cash generated by a firm's operations, while free cash flow is the cash available to pay dividends and finance growth.
B) Operating cash flow is the cash available to pay dividends and finance growth, while free cash flow is the cash generated by a firm's operations.
C) Operating cash flow is the cash generated by a firm's operations, while free cash flow is the cash available to pay off debt.
D) Operating cash flow is the cash available to pay off debt, while free cash flow is the cash generated by a firm's operations.
Answer: A

10. **Which of the following is not a factor that affects a firm's cost of capital?**
A) Interest rates
B) The firm's level of debt
C) The firm's level of profitability
D) The riskiness of the firm's investments
Answer: C