4 Lecture - MGT201

Important Mcqs

1. **Which of the following best describes the time value of money?**
   a) The idea that money has a fixed value over time.
   b) The idea that money loses value over time.
   c) The idea that money received or paid out at different times has different values due to the potential earning power of money over time.
   d) The idea that the value of money remains the same, regardless of the time it is received or paid out.

Answer: c) The idea that money received or paid out at different times has different values due to the potential earning power of money over time.

2. **Which of the following best describes the present value of money?**
   a) The value of money in the future.
   b) The value of money in the past.
   c) The value of money today.
   d) The value of money at any point in time.

Answer: c) The value of money today.

3. **What is the formula for calculating future value?**
   a) FV = PV x (1 + r)n
   b) PV = FV / (1 + r)n
   c) FV = PV x r x n
   d) PV = FV x (1 + r)n

Answer: a) FV = PV x (1 + r)n

4. **Which of the following is an example of an annuity?**
   a) A one-time payment.
   b) A series of equal payments made at regular intervals.
   c) A lump sum payment.
   d) A payment made at irregular intervals.

Answer: b) A series of equal payments made at regular intervals.

5. **What is the time value of money concept used for?**
   a) To calculate the value of money in the future.
   b) To calculate the value of money in the past.
   c) To calculate the value of money today.
   d) To compare the value of money received or paid out at different times.

Answer: d) To compare the value of money received or paid out at different times.

6. **Which of the following best describes the discount rate?**Which of the following best describes the discount rate?.
   b) The rate at which money decreases in value over time.
   c) The rate used to calculate the present value of future cash flows.
   d) The rate used to calculate the future value of present cash flows.

Answer: c) The rate used to calculate the present value of future cash flows.

7. **Which of the following is an example of a time value of money calculation?**
   a) Calculating the cost of goods sold.
   b) Calculating the net profit of a company.
   c) Calculating the present value of a future investment.
   d) Calculating the amount of inventory a company has.

Answer: c) Calculating the present value of a future investment.

8. **What is the formula for calculating present value?**
   a) PV = FV x (1 + r)n
   b) FV = PV x (1 + r)n
   c) PV = FV / (1 + r)n
   d) FV = PV / (1 + r)n

Answer: c) PV = FV / (1 + r)n

9. **Which of the following best describes compounding?**
   a) The process of earning interest on interest.
   b) The process of earning a fixed interest rate.
   c) The process of earning interest at irregular intervals.
   d) The process of earning interest only once.

Answer: a) The process of earning interest on interest.

10. What is the formula for calculating the number of compounding periods?
    a) n = (ln(FV/PV)) / r
    b) n = r / (ln(FV/PV))
    c) n = (ln(PV/FV)) / r
    d) n = r