# 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)  $FV = PV \times (1 + r)n$
  - b) PV = FV / (1 + r)n
  - c)  $FV = PV \times r \times n$
  - d)  $PV = FV \times (1 + r)n$

Answer: a)  $FV = PV \times (1 + r)n$ 

- 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)  $PV = FV \times (1 + r)n$
  - b)  $FV = PV \times (1 + r)n$
  - 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