

# 6 Lecture - MGT201

## Important Mcqs

1. **What is present value?**

- A) The value of future cash flows at a specific point in time
- B) The value of current cash flows at a specific point in time
- C) The value of cash flows that have already occurred
- D) None of the above

Answer: A

2. **What is discounting?**

- A) The process of increasing future cash flows for the time value of money
- B) The process of adjusting future cash flows for the time value of money
- C) The process of reducing future cash flows for the time value of money
- D) None of the above

Answer: B

3. **What is the present value formula?**

- A)  $PV = FV / (1 + r)$
- B)  $PV = FV * (1 + r)$
- C)  $PV = FV / r$
- D)  $PV = FV * r$

Answer: A

4. **What is the discount rate?**

- A) The interest rate used to calculate present value
- B) The interest rate used to calculate future value
- C) The interest rate used to calculate inflation
- D) None of the above

Answer: A

5. **What is the future value formula?**

- A)  $FV = PV / (1 + r)$
- B)  $FV = PV * (1 + r)$
- C)  $FV = PV / r$
- D)  $FV = PV * r$

Answer: B

6. **What is the time value of money?**

- A) The concept that money is worth more in the future than it is today
- B) The concept that money is worth less in the future than it is today

- C) The concept that money is worth the same in the future as it is today
- D) None of the above

**Answer: A**

7. **What is the relationship between present value and future value?**
- A) Present value is always greater than future value
  - B) Future value is always greater than present value
  - C) Present value and future value are equal
  - D) None of the above

**Answer: B**

8. **What is the purpose of calculating present value?**
- A) To calculate the value of future cash flows in today's dollars
  - B) To calculate the value of current cash flows in future dollars
  - C) To calculate the value of cash flows that have already occurred
  - D) None of the above

**Answer: A**

9. **What is the effect of an increase in the discount rate on present value?**
- A) Present value increases
  - B) Present value decreases
  - C) Present value remains the same
  - D) It depends on the specific situation

**Answer: B**

10. **What is the effect of an increase in the number of time periods on present value?**
- A) Present value increases
  - B) Present value decreases
  - C) Present value remains the same
  - D) It depends on the specific situation

**Answer: B**