## 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) $P V=F V /(1+r)$
B) $P V=F V$ * $(1+r)$
C) $P V=F V / r$
D) $P V=F V$ * $r$

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) $F V=P V /(1+r)$
B) $F V=P V$ * $(1+r)$
C) $F V=P V / r$
D) $F V=P V$ * $r$

## 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

