# 7 Lecture - MGT201

## **Important Mcqs**

### 1. What is Discounted Cash Flow (DCF) analysis?

- A) A valuation method to estimate the value of an investment
- B) A method to calculate future cash flows
- C) A method to calculate future profits
- D) A method to calculate future expenses

Solution: A) A valuation method to estimate the value of an investment

#### 2. What is the formula for calculating the present value of an annuity?

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

Solution: C)  $PV = PMT * (1-(1+r)^-n) / r$ 

#### 3. What is an annuity?

- A) A series of equal payments made at regular intervals
- B) A single payment made at the end of a period
- C) A series of unequal payments made at regular intervals
- D) A single payment made at the beginning of a period

Solution: A) A series of equal payments made at regular intervals

## 4. What is the formula for calculating the present value of a perpetuity?

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

Solution: C) PV = PMT / r

#### 5. What is a perpetuity?

- A) An infinite series of equal payments
- B) A single payment made at the end of a period
- C) A series of unequal payments made at regular intervals
- D) A single payment made at the beginning of a period

Solution: A) An infinite series of equal payments

#### 6. What is the discount rate in DCF analysis?

- A) The rate of return required to invest money today
- B) The interest rate on a loan
- C) The rate at which inflation is increasing
- D) The rate at which the economy is growing

Solution: A) The rate of return required to invest money today

## 7. What is the formula for calculating the future value of an annuity?

A) FV = PMT \* n

- B)  $FV = PMT * (1+r)^n$
- C)  $FV = PMT * (1-(1+r)^-n) / r$
- D)  $FV = PV * (1+r)^n$

Solution: B)  $FV = PMT * (1+r)^n$ 

#### 8. What is the formula for calculating the future value of a perpetuity?

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

Solution: C) FV = PMT / r

## 9. What is the difference between an annuity and a perpetuity?

- A) An annuity has a finite number of payments, while a perpetuity has an infinite number of payments
- B) An annuity has an infinite number of payments, while a perpetuity has a finite number of payments
- C) An annuity and a perpetuity are the same thing
- D) An annuity and a perpetuity have different payment amounts

Solution: A) An annuity has a finite number of payments, while a perpetuity has an infinite number of payments

#### 10. What is the main benefit of using DCF analysis?

- A) It takes into account the time value of money
- B) It guarantees a high rate of return on an investment
- C) It is a quick and easy way to value an investment
- D)