

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)