

8 Lecture - MGT201

Important Mcqs

1. **Which of the following is a capital budgeting technique?**

- a) Balance sheet analysis
- b) Income statement analysis
- c) Payback period
- d) Cash flow analysis

Answer: c) Payback period

2. **Which capital budgeting technique considers the time value of money?**

- a) Payback period
- b) Internal rate of return
- c) Accounting rate of return
- d) Profitability index

Answer: b) Internal rate of return

3. **Which of the following is a disadvantage of the payback period method?**

- a) It is easy to calculate
- b) It considers the time value of money
- c) It ignores cash flows beyond the payback period
- d) It is widely used by businesses

Answer: c) It ignores cash flows beyond the payback period

4. **The net present value (NPV) method uses which of the following to evaluate a project?**

- a) Future cash inflows and outflows
- b) Accounting profits
- c) Depreciation expenses
- d) Market share

Answer: a) Future cash inflows and outflows

5. **Which of the following is an advantage of the internal rate of return (IRR) method?**

- a) It considers all cash flows over the project's life
- b) It is easy to calculate
- c) It does not consider the time value of money
- d) It is not affected by changes in interest rates

Answer: a) It considers all cash flows over the project's life

6. **Which of the following is a disadvantage of the profitability index (PI) method?**

- a) It is difficult to understand and calculate
- b) It is affected by changes in interest rates

- c) It ignores cash flows beyond the payback period
- d) It does not consider the time value of money

Answer: d) It does not consider the time value of money

7. **Which capital budgeting technique uses accounting profits to evaluate a project?**
- a) Payback period
 - b) Internal rate of return
 - c) Accounting rate of return
 - d) Net present value

Answer: c) Accounting rate of return

8. **Which of the following is a limitation of the net present value (NPV) method?**
- a) It ignores the time value of money
 - b) It does not consider all cash flows over the project's life
 - c) It is difficult to understand and calculate
 - d) It is not affected by changes in interest rates

Answer: c) It is difficult to understand and calculate

9. **Which of the following is a capital budgeting decision?**
- a) Deciding on the marketing strategy for a new product
 - b) Deciding on the salaries for employees
 - c) Deciding on the purchase of new equipment
 - d) Deciding on the price of a product

Answer: c) Deciding on the purchase of new equipment

10. **Which of the following is not a capital budgeting technique?**
- a) Payback period
 - b) Accounting rate of return
 - c) Market share analysis
 - d) Net present value

Answer: c) Market share analysis