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