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