

10 Lecture - MGT201

Important Mcqs

1. What are project cash flows?

- a. The initial investment required for a project
- b. The inflows and outflows of cash associated with a particular project
- c. The profit earned from a project
- d. The tax benefits associated with a project

Answer: b. The inflows and outflows of cash associated with a particular project

2. Why is project timing important?

- a. It determines the amount of initial investment required
- b. It affects the value of cash flows due to the time value of money
- c. It determines the rate of return on the project
- d. It affects the tax benefits associated with the project

Answer: b. It affects the value of cash flows due to the time value of money

3. How do you compare projects?

- a. By evaluating their respective cash flows and rates of return
- b. By comparing the initial investment required for each project
- c. By considering the tax benefits associated with each project
- d. By comparing the size of each project

Answer: a. By evaluating their respective cash flows and rates of return

4. What is the Modified Internal Rate of Return (MIRR)?

- a. A variant of NPV
- b. A variant of IRR
- c. A measure of the initial investment required for a project
- d. A measure of the tax benefits associated with a project

Answer: b. A variant of IRR

5. What does MIRR account for that IRR does not?

- a. The time value of money
- b. The reinvestment of cash flows at a specific rate
- c. The size of the project
- d. The tax benefits associated with the project

Answer: b. The reinvestment of cash flows at a specific rate

6. What is the formula for calculating net present value (NPV)?

- a. $CF_0 + CF_1 / (1 + r) + CF_2 / (1 + r)^2 + \dots + CF_n / (1 + r)^n$
- b. $(CF_1 - CF_0) / CF_0$

- c. $CF_0 + CF_1 + CF_2 + \dots + CF_n$
- d. $(CF_0 - CF_1) / CF_1$

Answer: a. $CF_0 + CF_1 / (1 + r) + CF_2 / (1 + r)^2 + \dots + CF_n / (1 + r)^n$

7. **How does a higher discount rate affect the net present value (NPV)?**
- a. Increases NPV
 - b. Decreases NPV
 - c. Has no effect on NPV
 - d. It depends on the project cash flows

Answer: b. Decreases NPV

8. **What is the formula for calculating internal rate of return (IRR)?**
- a. $CF_0 + CF_1 / (1 + r) + CF_2 / (1 + r)^2 + \dots + CF_n / (1 + r)^n = 0$
 - b. $(CF_1 - CF_0) / CF_0$
 - c. $CF_0 + CF_1 + CF_2 + \dots + CF_n$
 - d. $(CF_0 - CF_1) / CF_1 = 0$

Answer: a. $CF_0 + CF_1 / (1 + r) + CF_2 / (1 + r)^2 + \dots + CF_n / (1 + r)^n = 0$

9. **What is the payback period?**
- a. The time it takes for a project to generate a positive net present value
 - b. The time it takes for the initial investment to be recovered
 - c. The total amount of cash flows generated by a project
 - d. The rate of return on the project

Answer: b. The time it takes for the initial investment to be recovered

10. Which of the following is not a