# 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. CF0 + CF1 / (1 + r) + CF2 / (1 + r)2 + ... + CFn / (1 + r)n
- b. (CF1 CF0) / CF0

- c. CF0 + CF1 + CF2 + ... + CFn
- d. (CF0 CF1) / CF1

## Answer: a. CF0 + CF1 / (1 + r) + CF2 / (1 + r)2 + ... + CFn / (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. CF0 + CF1 / (1 + r) + CF2 / (1 + r)2 + ... + CFn / (1 + r)n = 0
  - b. (CF1 CF0) / CF0
  - c. CF0 + CF1 + CF2 + ... + CFn
  - d. (CF0 CF1) / CF1 = 0

Answer: a. CF0 + CF1 / (1 + r) + CF2 / (1 + r)2 + ... + CFn / (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