# 12 Lecture - MGT201

## Important Mcqs

1. **In capital budgeting decisions with limited capital, which technique is used to determine which projects to pursue?**
   a) Internal rate of return (IRR)
   b) Net present value (NPV)
   c) Capital rationing
   d) Sensitivity analysis
   Answer: c) Capital rationing

2. **Which of the following methods considers the time value of money in capital budgeting decisions?**
   a) Payback period
   b) Accounting rate of return (ARR)
   c) Net present value (NPV)
   d) Profitability index (PI)
   Answer: c) Net present value (NPV)

3. **Which of the following is an advantage of using the internal rate of return (IRR) method?**
   a) It provides a dollar amount for the project's profitability.
   b) It is easy to understand and calculate.
   c) It considers the time value of money.
   d) It does not require a discount rate.
   Answer: c) It considers the time value of money.

4. **Which of the following is a limitation of using the payback period method?**
   a) It does not consider the time value of money.
   b) It is difficult to calculate.
   c) It is based on estimates and assumptions.
   d) It does not provide a clear indication of profitability.
   Answer: a) It does not consider the time value of money.

5. **What is the primary goal of capital budgeting?**
   a) To maximize profits
   b) To minimize costs
   c) To maximize shareholder wealth
   d) To break even
   Answer: c) To maximize shareholder wealth

6. **Which of the following is a disadvantage of using the profitability index (PI) method?**
   a) It does not consider the time value of money.
   b) It can be difficult to interpret.
   c) It does not provide a dollar amount for the project's profitability.
   d) It requires a discount rate.
   Answer: c) It does not provide a dollar amount for the project's profitability.

7. **Which of the following is a limitation of using the net present value (NPV) method?**
   a) It does not consider the time value of money.
   b) It can be difficult to interpret.
   c) It requires a discount rate.
   d) It is based on estimates and assumptions.
   Answer: d) It is based on estimates and assumptions.

8. **When capital is limited, which of the following is a factor to consider in selecting projects?**
   a) Projects with high internal rates of return (IRRs)
   b) Projects with low net present values (NPVs)
   c) The timing of the project's cash flows
   d) Projects with high payback periods
   Answer: c) The timing of the project's cash flows

9. **Which of the following is an advantage of using the modified internal rate of return (MIRR) method?**
   a) It considers the time value of money.
   b) It is easy to calculate.
   c) It provides a clear indication of profitability.
   d) It does not require a discount rate.
   Answer: c) It provides a clear indication of profitability.

10. **Which of the following methods calculates the rate of return that makes the net present value (NPV) of a project equal to zero?**
    a) Payback period
    b) Internal rate of return (IRR)
    c) Profitability index (PI)
    d) Sensitivity analysis
    Answer: b) Internal rate of return (IRR)