18 Lecture - MGT201

Important Mcqs

- What is the common stock rate of return and EPS pricing model used for?

 A. To estimate the fair value of a stock
 B. To calculate the company's net income
 C. To measure the company's liquidity

 Answer: A
- 2. The EPS in the common stock rate of return and EPS pricing model stands for: A. Earnings Per Stock
 - B. Expected Price Stability
 - C. Earnings Per Share

Answer: C

- 3. The required rate of return in the common stock rate of return and EPS pricing model represents:
 - A. The investor's expected rate of return on the stock
 - B. The company's cost of equity
 - C. The company's net income

Answer: A

- 4. The fair value of a stock in the common stock rate of return and EPS pricing model is calculated by:
 - A. Dividing the expected EPS by the required rate of return
 - B. Multiplying the expected EPS by the required rate of return
 - C. Subtracting the expected EPS from the required rate of return

Answer: A

- 5. The expected growth rate in the common stock rate of return and EPS pricing model represents:
 - A. The expected rate of increase in the company's net income
 - B. The expected rate of increase in the company's stock price

C. The expected rate of increase in the company's dividends

Answer: A

6. The common stock - rate of return and EPS pricing model assumes:

A. A constant growth rate in EPS

- B. A variable growth rate in EPS
- C. No growth in EPS

Answer: A

7. The EPS used in the common stock - rate of return and EPS pricing model should be:

A. The expected EPS for the current year

- B. The average EPS over the last five years
- C. The projected EPS for the next five years Answer: C

8. The required rate of return in the common stock - rate of return and EPS pricing model is influenced by:

A. Market conditions

B. The company's perceived risk

C. Both A and B

Answer: C

9. What is the main limitation of the common stock - rate of return and EPS pricing model? A. It assumes a constant growth rate in EPS

B. It does not consider the company's debt levels

C. It does not account for market fluctuations

Answer: A

10. How can the common stock - rate of return and EPS pricing model be used in conjunction with other valuation methods?

A. To compare and verify the results of other valuation methods

B. To replace other valuation methods altogether

C. To use in isolation as the most reliable valuation method

Answer: A