

# 28 Lecture - MGT201

## Important Mcqs

1. Which of the following is a common financing tool for companies?

- a) Equity
- b) Debentures
- c) Warrants
- d) Options

Answer: b) Debentures

2. In an efficient market, what do investors have access to?

- a) All relevant information
- b) Only limited information
- c) Biased information
- d) No information

Answer: a) All relevant information

3. What is the cost of capital?

- a) The cost of borrowing
- b) The interest rate on a loan
- c) The minimum return a company must earn on its investments
- d) The amount of money a company needs to operate

Answer: c) The minimum return a company must earn on its investments

4. Which of the following is a risk associated with debt financing?

- a) Dilution of ownership
- b) Lower return on investment
- c) Bankruptcy
- d) No risk associated with debt financing

Answer: c) Bankruptcy

5. Which type of market is characterized by investors having access to all relevant information?

- a) Inefficient market
- b) Efficient market
- c) Biased market
- d) None of the above

Answer: b) Efficient market

6. What is the main advantage of debt financing?

- a) Increased ownership
- b) Lower cost of capital
- c) Higher return on investment
- d) None of the above

Answer: b) Lower cost of capital

7. **What is the main disadvantage of debt financing?**

- a) Increased risk of bankruptcy
- b) Higher cost of capital
- c) Lower return on investment
- d) None of the above

**Answer: a) Increased risk of bankruptcy**

8. **Which of the following is not a factor affecting a company's cost of capital?**

- a) Interest rates
- b) Inflation
- c) Government regulations
- d) Company's mission statement

**Answer: d) Company's mission statement**

9. **Which type of financing involves selling ownership in a company?**

- a) Debt financing
- b) Equity financing
- c) Warrant financing
- d) Option financing

**Answer: b) Equity financing**

10. **What is the relationship between risk and return?**

- a) Higher risk leads to lower return
- b) Lower risk leads to higher return
- c) No relationship between risk and return
- d) None of the above

**Answer: b) Lower risk leads to higher return.**