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.