# 30 Lecture - MGT201

# **Important Mcqs**

1.	Which of the following refers to uncertainties associated with a company's operations that may affect its ability to generate profits?  A) Financial risk B) Business risk C) Market risk D) Credit risk Answer: B) Business risk
2.	Operating leverage is the degree to which costs are present in a company's cost structure.  A) Variable B) Fixed C) Semi-variable D) None of the above Answer: B) Fixed
3.	Which of the following is the level of sales at which a company's revenue equals its total costs?  A) Profit point B) Break-even point C) Margin of safety D) None of the above Answer: B) Break-even point
4.	Return on equity (ROE) is calculated by dividing:  A) Net income by total equity  B) Net income by total assets  C) Total equity by net income  D) Total assets by net income  Answer: A) Net income by total equity
5.	A high operating leverage means that a company:  A) Has high fixed costs and low variable costs  B) Has low fixed costs and high variable costs  C) Has equal fixed and variable costs  D) None of the above  Answer: A) Has high fixed costs and low variable costs
6.	Which of the following is NOT a factor that affects a company's break-even point?

A) Selling priceB) Variable costsC) Fixed costs

D) Capital structure

Answer: D) Capital structure

### 7. Which of the following is a measure of a company's financial risk?

- A) Operating leverage
- B) Break-even point
- C) Debt-to-equity ratio
- D) None of the above

Answer: C) Debt-to-equity ratio

## 8. A company with a high degree of operating leverage is:

- A) More sensitive to changes in sales volume
- B) Less sensitive to changes in sales volume
- C) Not affected by changes in sales volume
- D) None of the above

Answer: A) More sensitive to changes in sales volume

#### 9. If a company's ROE is higher than its cost of equity, then:

- A) The company is generating a profit
- B) The company is generating a loss
- C) The company is operating at its break-even point
- D) None of the above

Answer: A) The company is generating a profit

#### 10. Which of the following is a measure of a company's profitability?

- A) Operating leverage
- B) Break-even point
- C) Gross profit margin
- D) Debt-to-equity ratio

Answer: C) Gross profit margin