

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 price
 - B) Variable costs
 - C) 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