

30 Lecture - MGT201

Important Mcqs

- 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
- 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
- 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
- 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
- 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
- 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