

31 Lecture - MGT201

Important Mcqs

1. **What is operating leverage?**

- a. The use of debt financing to fund a company's operations
- b. The use of fixed costs in a company's operations
- c. The amount of equity financing used to fund a company's operations
- d. The degree of risk associated with a company's operations

Answer: b. The use of fixed costs in a company's operations

2. **What is financial leverage?**

- a. The use of fixed costs in a company's operations
- b. The use of debt financing to fund a company's operations
- c. The amount of equity financing used to fund a company's operations
- d. The degree of risk associated with a company's financial structure

Answer: b. The use of debt financing to fund a company's operations

3. **How does operating leverage impact a company's risk profile?**

- a. It increases a company's risk profile
- b. It decreases a company's risk profile
- c. It has no impact on a company's risk profile
- d. It depends on the level of fixed costs

Answer: a. It increases a company's risk profile

4. **How does financial leverage impact a company's risk profile?**

- a. It increases a company's risk profile
- b. It decreases a company's risk profile
- c. It has no impact on a company's risk profile
- d. It depends on the level of debt financing

Answer: a. It increases a company's risk profile

5. **What is the break-even point?**

- a. The point at which a company's total revenue equals its total expenses
- b. The point at which a company's total revenue equals its variable expenses
- c. The point at which a company's total revenue equals its fixed expenses
- d. The point at which a company's total revenue equals its operating expenses

Answer: c. The point at which a company's total revenue equals its fixed expenses

6. **How is the break-even point calculated?**

- a. By dividing total expenses by total revenue
- b. By dividing fixed expenses by the contribution margin per unit

- c. By dividing variable expenses by the contribution margin per unit
- d. By dividing operating expenses by total revenue

Answer: b. By dividing fixed expenses by the contribution margin per unit

7. What is return on equity (ROE)?

- a. The amount of debt financing used to fund a company's operations
- b. The amount of equity financing used to fund a company's operations
- c. The amount of net income returned as a percentage of shareholders' equity
- d. The amount of net income returned as a percentage of total assets

Answer: c. The amount of net income returned as a percentage of shareholders' equity

8. How can a company increase its ROE?

- a. By increasing sales revenue
- b. By reducing expenses
- c. By improving profit margins
- d. All of the above

Answer: d. All of the above

9. What is business risk?

- a. The risk associated with a company's financial structure
- b. The risk associated with a company's operations
- c. The risk associated with a company's market position
- d. The risk associated with a company's competitors

Answer: b. The risk associated with a company's operations

10. How can a company minimize business risk?

- a. By diversifying its operations
- b. By implementing effective risk management strategies
- c. By improving operational efficiency
- d. All of the above

Answer: d. All of the above