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