32 Lecture - MGT201

Important Mcqs

1. **What is financial leverage?**
   a. The use of debt financing to fund a company's operations
   b. The use of equity financing to fund a company's operations
   c. The use of short-term financing to fund a company's operations
   Answer: a

2. **Which of the following can be impacted by a company's financial leverage?**
   a. Return on equity (ROE)
   b. Return on assets (ROA)
   c. Both A and B
   Answer: c

3. **What is capital structure?**
   a. The mix of debt and equity financing used by a company
   b. The amount of debt financing used by a company
   c. The amount of equity financing used by a company
   Answer: a

4. **Which of the following can impact a company's capital structure?**
   a. Market conditions
   b. Industry competition
   c. Both A and B
   Answer: c

5. **What is the cost of capital?**
   a. The cost of debt financing
   b. The cost of equity financing
   c. The overall cost of a company's financing
   Answer: c

6. **What is the break-even point?**
   a. The point at which a company generates enough revenue to cover its fixed and variable costs
   b. The point at which a company generates enough revenue to cover its fixed costs only
   c. The point at which a company generates enough revenue to cover its variable costs only
   Answer: a

7. **Which of the following can impact a company's cost of capital?**
   a. Interest rates
   b. Company size
   c. Both A and B
   Answer: a

8. **Which of the following is a benefit of debt financing?**
   a. Lower cost of capital

b. No risk of bankruptcy
c. No interest payments
Answer: a

9. **Which of the following is a risk of debt financing?**
a. Potential for bankruptcy
b. Higher cost of capital
c. Both A and B
Answer: c

10. **What is the optimal capital structure for a company?**
a. 100% debt financing
b. 100% equity financing
c. A mix of debt and equity financing that balances the benefits and risks of each
Answer: c