

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