

38 Lecture - MGT201

Important Mcqs

1. **What is the residual dividend model based on?**

- a) Paying dividends first and investing later
- b) Investing first and paying dividends later
- c) Paying dividends and investing at the same time
- d) None of the above

Answer: b) Investing first and paying dividends later

2. **What principle does the residual dividend model follow?**

- a) Invest in projects with negative net present value
- b) Only distribute profits as dividends
- c) Invest in projects with positive net present value and distribute remaining profits as dividends
- d) None of the above

Answer: c) Invest in projects with positive net present value and distribute remaining profits as dividends

3. **Which type of companies is the residual dividend model particularly useful for?**

- a) Companies with stable earnings
- b) Companies with fluctuating earnings
- c) Companies that do not pay dividends
- d) None of the above

Answer: b) Companies with fluctuating earnings

4. **What does the residual dividend model ensure?**

- a) Companies pay dividends before investing in projects
- b) Companies invest in projects with negative net present value
- c) Companies retain sufficient funds for future growth while rewarding shareholders with surplus profits
- d) None of the above

Answer: c) Companies retain sufficient funds for future growth while rewarding shareholders with surplus profits

5. **Which of the following is true about the residual dividend model?**

- a) It provides a rigid framework for dividend distribution
- b) It cannot accommodate changing circumstances
- c) It is only applicable to high-growth industries
- d) It provides a flexible framework for dividend distribution that can accommodate changing circumstances

Answer: d) It provides a flexible framework for dividend distribution that can accommodate changing circumstances

6. **What does the residual dividend model prioritize?**

- a) Maximizing shareholder value at the expense of future growth
- b) Retaining sufficient funds for future growth while maximizing shareholder value
- c) Maximizing company growth at the expense of shareholder value
- d) None of the above

Answer: b) Retaining sufficient funds for future growth while maximizing shareholder value

7. **What is the basis for determining the amount of dividend to be paid under the residual dividend model?**

- a) Current market conditions
- b) Past dividend payouts
- c) Surplus profits after investment needs are met
- d) None of the above

Answer: c) Surplus profits after investment needs are met

8. **Which of the following is a disadvantage of the residual dividend model?**

- a) It does not prioritize shareholder value
- b) It may result in inconsistent dividend payments
- c) It does not allow for future growth
- d) None of the above

Answer: b) It may result in inconsistent dividend payments

9. **What type of companies are likely to use the residual dividend model?**

- a) Start-ups with high growth potential
- b) Established companies with stable earnings
- c) Companies that do not pay dividends
- d) None of the above

Answer: a) Start-ups with high growth potential

10. **What is the primary benefit of the residual dividend model?**

- a) It ensures consistent dividend payments
- b) It prioritizes future growth over shareholder value
- c) It provides a flexible framework for dividend distribution that can accommodate changing circumstances
- d) None of the above

Answer: c) It provides a flexible framework for dividend distribution that can accommodate changing circumstances