# 39 Lecture - MGT201

# **Important Mcqs**

### 1. What is working capital management?

- a. Managing long-term assets and liabilities
- b. Managing short-term assets and liabilities
- c. Managing capital structure
- d. Managing cash flows

# Answer: b. Managing short-term assets and liabilities

#### 2. What are the components of working capital?

- a. Fixed assets and equity
- b. Accounts receivable and accounts payable
- c. Long-term debt and preferred stock
- d. Retained earnings and common stock

#### Answer: b. Accounts receivable and accounts payable

#### 3. What is the primary objective of working capital management?

- a. Maximizing shareholder value
- b. Maximizing profits
- c. Maintaining liquidity
- d. Increasing debt capacity

#### Answer: c. Maintaining liquidity

#### 4. What is the cash conversion cycle?

- a. The time it takes to collect accounts receivable
- b. The time it takes to pay accounts payable
- c. The time it takes to convert inventory into cash
- d. All of the above

# Answer: d. All of the above

#### 5. What is the optimal level of working capital?

- a. As high as possible
- b. As low as possible
- c. Equal to zero
- d. None of the above

# Answer: d. None of the above

- 6. What is the trade-off between profitability and liquidity in working capital management?
  - a. The higher the profitability, the higher the liquidity
  - b. The higher the liquidity, the lower the profitability

- c. The higher the profitability, the lower the liquidity
- d. There is no trade-off between profitability and liquidity

Answer: b. The higher the liquidity, the lower the profitability

#### 7. What is accounts receivable turnover?

- a. The number of days it takes to collect accounts receivable
- b. The ratio of sales to accounts receivable
- c. The ratio of accounts receivable to total assets
- d. The ratio of accounts receivable to accounts payable

#### Answer: b. The ratio of sales to accounts receivable

#### 8. What is the inventory turnover ratio?

- a. The number of days it takes to sell inventory
- b. The ratio of sales to inventory
- c. The ratio of inventory to total assets
- d. The ratio of inventory to accounts payable

#### Answer: b. The ratio of sales to inventory

#### 9. What is the cash budget?

- a. A forecast of expected cash inflows and outflows
- b. A report of actual cash inflows and outflows
- c. A plan to reduce cash balances
- d. A statement of cash flows

#### Answer: a. A forecast of expected cash inflows and outflows

#### 10. What is the role of a working capital manager?

- a. To manage long-term investments
- b. To manage short-term investments
- c. To manage capital structure
- d. To manage financing decisions

Answer: b. To manage short-term investments