

# 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**