

39 Lecture - MGT201

Important Mcqs

1. **What is working capital management?**
- Managing long-term assets and liabilities
 - Managing short-term assets and liabilities
 - Managing capital structure
 - Managing cash flows

Answer: b. Managing short-term assets and liabilities

2. **What are the components of working capital?**
- Fixed assets and equity
 - Accounts receivable and accounts payable
 - Long-term debt and preferred stock
 - Retained earnings and common stock

Answer: b. Accounts receivable and accounts payable

3. **What is the primary objective of working capital management?**
- Maximizing shareholder value
 - Maximizing profits
 - Maintaining liquidity
 - Increasing debt capacity

Answer: c. Maintaining liquidity

4. **What is the cash conversion cycle?**
- The time it takes to collect accounts receivable
 - The time it takes to pay accounts payable
 - The time it takes to convert inventory into cash
 - All of the above

Answer: d. All of the above

5. **What is the optimal level of working capital?**
- As high as possible
 - As low as possible
 - Equal to zero
 - None of the above

Answer: d. None of the above

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