45 Lecture - MGT201

Important Mcqs

1. What is the time value of money?

A. The concept that money is worth more today than in the future
B. The concept that money is worth less today than in the future
C. The concept that money has no value over time
Answer: A

2. Which of the following is an example of a long-term financing option? A. Bank overdraft

B. Trade credit

C. Bonds

Answer: C

3. What is the purpose of capital budgeting?

A. To determine how much working capital a company needs

- B. To identify investment opportunities that will generate long-term returns
- C. To manage the day-to-day cash flows of a company

Answer: B

4. What is the formula for calculating net present value (NPV)?

A. PV of cash inflows - PV of cash outflows

B. PV of cash inflows + PV of cash outflows

C. PV of cash inflows / PV of cash outflows

Answer: A

5. What is the optimal level of working capital?

A. The highest possible level to ensure sufficient liquidity

B. The lowest possible level to minimize costs

C. The level that balances liquidity and profitability

Answer: C

6. What is financial leverage?

A. The use of debt financing to increase returns to shareholders

B. The use of equity financing to increase returns to shareholders

C. The use of short-term financing to increase returns to shareholders Answer: A

7. Which financial statement shows a company's financial position at a specific point in time?

A. Income statement

B. Statement of cash flows

C. Balance sheet

Answer: C

8. What is the role of the financial manager in a company?

A. To manage the day-to-day operations of the company

B. To make investment decisions that maximize shareholder value

C. To market the company's products and services

Answer: B

9. Which of the following is an example of an ethical issue in financial management?

A. Misleading financial reporting

B. Paying employees a fair wage

C. Providing excellent customer service

Answer: A

10. What is the purpose of financial analysis?

A. To compare a company's financial performance to its competitors

B. To determine the market demand for a company's products

C. To identify potential investment opportunities

Answer: A