# 45 Lecture - MGT211

# **Important Mcqs**

- 1. Which of the following is not a primary objective of financial management?
  - a) Maximizing shareholder wealth
  - b) Maximizing profits
  - c) Minimizing risk
  - d) Maximizing market share

Answer: d) Maximizing market share

## 2. The net present value (NPV) method is used to:

- a) Evaluate the profitability of a project
- b) Determine the payback period of a project
- c) Calculate the internal rate of return of a project
- d) None of the above

# Answer: a) Evaluate the profitability of a project

## 3. The capital asset pricing model (CAPM) is used to calculate:

- a) The cost of debt
- b) The cost of equity
- c) The weighted average cost of capital (WACC)
- d) None of the above

# Answer: b) The cost of equity

#### 4. A company's current ratio is calculated by dividing its current assets by its:

- a) Total assets
- b) Long-term liabilities
- c) Current liabilities
- d) Shareholders' equity

Answer: c) Current liabilities

#### 5. The time value of money refers to:

- a) The idea that money today is worth more than the same amount of money in the future
- b) The idea that money today is worth less than the same amount of money in the future
- c) The idea that money has the same value regardless of when it is received

d) None of the above

Answer: a) The idea that money today is worth more than the same amount of money in the future

#### 6. The debt-to-equity ratio is calculated by dividing a company's total liabilities by its:

- a) Total assets
- b) Shareholders' equity
- c) Net income
- d) Gross profit

#### Answer: b) Shareholders' equity

#### 7. The quick ratio is a measure of a company's:

- a) Liquidity
- b) Solvency
- c) Profitability
- d) Efficiency

Answer: a) Liquidity

#### 8. The goal of financial leverage is to:

- a) Increase a company's profitability
- b) Reduce a company's risk
- c) Maximize a company's market share
- d) Increase a company's return on investment (ROI)

#### Answer: d) Increase a company's return on investment (ROI)

#### 9. The internal rate of return (IRR) is the discount rate that makes the:

- a) NPV of a project positive
- b) NPV of a project negative
- c) Payback period of a project equal to its useful life
- d) None of the above

#### Answer: a) NPV of a project positive

#### 10. A company's cash flow statement shows:

- a) Its revenue and expenses over a period of time
- b) Its assets, liabilities, and equity at a specific point in time
- c) Its cash inflows and outflows over a period of time
- d) None of the above

Answer: c) Its cash inflows and outflows over a period of time