17 Lecture - MGT401

Important Mcqs

1. **Which of the following risks are required to be disclosed under IAS 32 and 39?**
   A) Credit risk
   B) Operational risk
   C) Market risk
   D) All of the above
   Answer: D) All of the above

2. **What is the primary goal of disclosures under IAS 32 and 39?**
   A) To protect the company from legal liability
   B) To provide transparency and accountability to investors
   C) To generate profits for the company
   D) To reduce the impact of risks on the company's financial performance
   Answer: B) To provide transparency and accountability to investors

3. **What is the importance of disclosures related to long-term loans?**
   A) To protect the company from default risk
   B) To inform investors about the risks associated with the loans
   C) To generate profits for the company
   D) To reduce the cost of borrowing for the company
   Answer: B) To inform investors about the risks associated with the loans

4. **Which of the following risks are associated with long-term loans?**
   A) Credit risk
   B) Interest rate risk
   C) Liquidity risk
   D) All of the above
   Answer: D) All of the above

5. **What is credit risk?**
   A) The risk that interest rates will increase
   B) The risk that a borrower will default on a loan
   C) The risk that the market value of an investment will decrease
   D) The risk that a company will run out of cash
   Answer: B) The risk that a borrower will default on a loan

6. **What is interest rate risk?**
   A) The risk that a borrower will default on a loan
   B) The risk that interest rates will increase
   C) The risk that the market value of an investment will decrease
   D) The risk that a company will run out of cash
   Answer: B) The risk that interest rates will increase

7. **What is liquidity risk?**
   A) The risk that a borrower will default on a loan

B) The risk that interest rates will increase
C) The risk that a company will run out of cash
D) The risk that an investment cannot be sold quickly enough to meet cash needs
Answer: D) The risk that an investment cannot be sold quickly enough to meet cash needs

8. **What is market risk?**
A) The risk that a borrower will default on a loan
B) The risk that interest rates will increase
C) The risk that the market value of an investment will decrease
D) The risk that a company will run out of cash
Answer: C) The risk that the market value of an investment will decrease

9. **What is the fair value of a financial instrument?**
A) The amount of cash that can be obtained by selling the instrument in the market
B) The face value of the instrument
C) The book value of the instrument
D) The market value of the issuer's stock
Answer: A) The amount of cash that can be obtained by selling the instrument in the market

10. **Why is it important for companies to provide clear and concise information in their disclosures?**
A) To avoid legal liability
B) To reduce the impact of risks on the company's financial performance
C) To ensure transparency and accountability to investors
D) To maximize profits for the company
Answer: C) To ensure transparency and accountability to investors