

A company whose stock is selling at a P/E ratio greater than the P/E ratio of a market index most likely has _____.

Select correct option:

An anticipated earnings growth rate which is less than that of the average firm

A dividend yield which is less than that of the average firm

Less predictable earnings growth than that of the average firm

Greater cyclical of earnings growth than that of the average firm

Which of the following is called the tax savings of the firm derived from the deductibility of interest expense?

Select correct option:

Interest tax shield

Depreciable basis

Financing umbrella

Current yield

The reduction in income taxes that results from the tax-deductibility of interest payments.

Tax benefits derived from creative structuring of a financing arrangement. For example, using loan capital instead of equity capital because interest paid on the loans is generally tax deductible whereas the dividend paid on equity is not

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Discounted cash flow methods provide a more objective basis for evaluating and selecting an investment project. These methods take into account:

Select correct option:

Magnitude of expected cash flows

Timing of expected cash flows

Both timing and magnitude of cash flows

None of the given options

Ref It discounts the cash flow to take into the account the time value of money.

Expected Portfolio Return = _____.

Select correct option:

$r_P^* = x_A r_A + x_B r_B$

$r_P^* = x_A r_A - x_B r_B$

$r_P^* = x_A r_A / x_B r_B$

$r_P^* = x_A r_A * x_B r_B$

What is the most important criteria in capital budgeting?

Select correct option:

Return on investment

Profitability index

Net present value

Pay back period

If stock is a part of totally diversified portfolio then its company risk must be equal to:

Select correct option:

0

0.5

1

-1

For most firms, P/E ratios and risk_____.

Select correct option:

Will be directly related

Will have an inverse relationship

Will be unrelated

None of the above.

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Which of the following stipulate a relationship between expected return and risk?

MGT201_latest solved mcqs with reference by shifa .. Mega Super File
Select correct option:

APT stipulates
CAPM stipulates
Both CAPM and APT stipulate
Neither CAPM nor APT stipulate

=====

Which of the following factors might affect stock returns?

Select correct option:

Business cycle
Interest rate fluctuations
Inflation rates

All of the above

If all things equal, when diversification is most effective?

Select correct option:

Securities' returns are positively correlated
Securities' returns are uncorrelated
Securities' returns are high

Securities' returns are negatively correlated

Which of the followings expressed the proposition that the value of the firm is independent of its capital structure?

Select correct option:

The Capital Asset Pricing Model
M&M Proposition I
M&M Proposition II
The Law of One Price

Which of the following will NOT equate the future value of cash inflows to the present value of cash outflows?

Select correct option:

Discount rate

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Profitability index

Internal rate of return

Multiple Internal rate of return

Which of the following is related to the use Lower financial leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

Why markets and market returns fluctuate?

Select correct option:

Because of political factors

Because of social factors

Because of socio-political factors

Because of macro systematic factors

Which of the following is NOT an example of hybrid equity

Select correct option:

Convertible Bonds

Convertible Debenture

Common shares

Preferred shares

A project that tells us the number of years required to recover our initial cash investment based on the project's expected cash flows is:

Select correct option:

Pay back period

Internal rate of return

Net present value

Profitability index

A 5-year annuity due has periodic cash flows of Rs.100 each year. If the interest rate is 8 percent, the present value of this annuity is closest to which of the following equations?

Select correct option:

(Rs.100)(PVIFA at 8% for 4 periods) + Rs.100

(Rs.100)(PVIFA at 8% for 4 periods)(1.08)

(Rs.100)(PVIFA at 8% for 6 periods) - Rs.100

Can not be found from the given information

To increase a given future value, the discount rate should be adjusted _____.

Select correct option:

Upward

Downward

First upward and then downward

None of the given options

Which of the following is NOT the form of cash flow generated by the investments of the shareholders?

Select correct option:

Income

Capital loss

Capital gain

Operating income

According to the Capital Asset Pricing Model (CAPM), a well-diversified portfolio's rate of return is a function of which of the following:

Select correct option:

Unique risk

Reinvestment risk

Market risk

Unsystematic risk

What is the most important criteria in capital budgeting?

Select correct option:

Return on investment

Profitability index

Net present value

Pay back period

If all things equal, when diversification is most effective?

Select correct option:

Securities' returns are positively correlated

Securities' returns are uncorrelated

Securities' returns are high

Securities' returns are negatively correlated

Which if the following is (are) true? I. The dividend growth model holds if, at some point in time, the dividend growth rate exceeds the stock's required return. II. A decrease in the dividend growth rate will increase a stock's market value, all else the same. III. An increase in the required return on a stock will decrease its market value, all else the same.

Select correct option:

I, II, and III

I only

III only

II and III only

As interest rates go up, the present value of a stream of fixed cash flows _____.

Select correct option:

Goes down

Goes up

Stays the same

Can not be found from the given information

Which of the following could be taken same as minimizing the weighted average cost of capital?

Select correct option:

Maximizing the market value of the firm

Maximizing the market value of the firm only if MM's Proposition I

Minimizing the market value of the firm only if MM's Proposition I holds

Maximizing the profits of the firm

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - Q_{BE})/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

The value of a bond is directly derived from which of the following?

Select correct option:

Cash flows

Coupon receipts

Par recovery at maturity

All of the given options

Which statement is NOT true regarding the market portfolio?

Select correct option:

It includes all publicly traded financial assets

It is the tangency point between the capital market line and the indifference curve

All securities in the market portfolio are held in proportion to their market values

It lies on the efficient frontier

In the dividend discount model, _____ which of the following are not incorporated into the discount rate?

Select correct option:

- Real risk-free rate
- Risk premium for stocks
- Return on assets**
- Expected inflation rate

Which of the following is NOT an example of hybrid equity

Select correct option:

- Convertible Bonds
- Convertible Debenture
- Common shares**
- Preferred shares

For which of the following costs is it generally necessary to apply a tax adjustment to a yield measure?

Select correct option:

- Cost of debt**
- Cost of preferred stock
- Cost of common equity
- Cost of retained earnings

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

- Real assets of the business
- Liquid assets of the business**
- Fixed assets of the business
- Long term assets of the business

What are two major areas of capital budgeting?

Select correct option:

- Net present value, profitability index
- Net present value; internal rate of return**
- Net present value; payback period
- Pay back period; profitability index

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Which of the followings are the propositions of Modigliani and Miller's?

Select correct option:

- The market value of a firm's common stock is independent of its capital structure
- The market value of a firm's debt is independent of its capital structure
- The market value of any firm is independent of its capital structure**
- None of the given options

The weighted average of possible returns, with the weights being the probabilities of occurrence is referred to as _____.

Select correct option:

- Probability distribution
- Expected return**
- Standard deviation
- Coefficient of variation

In calculating the costs of the individual components of a firm's financing, the corporate tax rate is important to which of the following component cost formulas?

Select correct option:

- Common stock
- Debt**
- Preferred stock
- None of the above

A statistical measure of the variability of a distribution around its mean is referred to as _____.

Select correct option:

- Probability distribution
- Expected return
- Standard deviation**
- Coefficient of variation

How "Shareholder wealth" is represented in a firm?

Select correct option:

- The number of people employed in the firm
- The book value of the firm's assets less the book value of its liabilities
- The market price per share of the firm's common stock**
- The amount of salary paid to its employees

What is potentially the biggest advantage of a small partnership over a sole proprietorship?

Select correct option:

- Unlimited liability
- Single tax filing
- Difficult ownership resale
- Raising capital**

Total Marks: 1

The benefit we expect from a project is expressed in terms of:

Select correct option:

Cash in flows

Cash out flows

Cash flows

None of the given option

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Which of the following is the value of beta for the market portfolio?

Select correct option:

0.25

-1.0

1.0

0.5

Which of the following is related to the use Lower financial leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

Why common stock of a company must provide a higher expected return than the debt of the same company?

Select correct option:

There is less demand for stock than for bonds

There is greater demand for stock than for bonds

There is more systematic risk involved for the common stock

There is a market premium required for bonds

_____ is equal to (common shareholders' equity/common shares outstanding).

Select correct option:

Book value per share

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Liquidation value per share

Market value per share

None of the above

When a bond will sell at a discount?

Select correct option:

The coupon rate is greater than the current yield and the current yield is greater than yield to maturity

The coupon rate is greater than yield to maturity

The coupon rate is less than the current yield and the current yield is greater than the yield to maturity

The coupon rate is less than the current yield and the current yield is less than yield to maturity

In order for the investor to earn more than the current yield the bond must be selling for a discount. Yield to maturity will be greater than current yield as investor will have purchased the bond at discount and will be receiving the coupon payments over the life of the bond.

Which of the following would be considered a cash-flow item from an "operating" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash inflow to the firm from selling new common equity shares

Cash outflow to purchase bonds issued by another company

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Which of the following is simply the weighted average of the possible returns, with the weights being the probabilities of occurrence?

Select correct option:

Probability distribution

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Expected return

Standard deviation

Coefficient of variation

Why companies invest in projects with negative NPV?

Select correct option:

Because there is hidden value in each project

Because there may be chance of rapid growth

Because they have invested a lot

All of the given options

Cash budgets are prepared from past:

Select correct option:

Balance sheets

Income statements

Income tax and depreciation data

None of the given options

The cash budget is prepared from forecasted cash collections and disbursements rather

If we were to increase ABC company cost of equity assumption, what would we expect to happen to the present value of all future cash flows?

Select correct option:

An increase

A decrease

No change

Incomplete information

Which of the followings expressed the proposition that the cost of equity is a positive linear function of capital structure?

Select correct option:

The Capital Asset Pricing Model

M&M Proposition I

M&M Proposition II

The Law of One Price

Why companies invest in projects with negative NPV?

Select correct option:

Because there is hidden value in each project

Because there may be chance of rapid growth

Because they have invested a lot

All of the given options

Question # 2 of 10 (Start time: 04:05:43 PM) Total Marks: 1

To increase a given future value, the discount rate should be adjusted _____.

Select correct option:

Upward

Downward

First upward and then downward

None of the given options

Question # 3 of 10 (Start time: 04:06:35 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Question # 4 of 10 (Start time: 04:07:25 PM) Total Marks: 1

A 5-year annuity due has periodic cash flows of Rs.100 each year. If the interest rate is 8 percent, the present value of this annuity is closest to which of the following equations?

Select correct option:

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 4 \text{ periods}) + Rs.100$

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 4 \text{ periods})(1.08)$

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 6 \text{ periods}) - Rs.100$

Can not be found from the given information

Question # 5 of 10 (Start time: 04:08:40 PM) Total Marks: 1

At the termination of project, which of the following needs to be considered relating to project assets?

Select correct option:

Salvage value

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Book value

Intrinsic value

Fair value

Question # 6 of 10 (Start time: 04:09:27 PM) Total Marks: 1

What is the long-run objective of financial management?

Select correct option:

Maximize earnings per share

Maximize the value of the firm's common stock

Maximize return on investment

Maximize market share

Question # 7 of 10 (Start time: 04:09:56 PM) Total Marks: 1

What is potentially the biggest advantage of a small partnership over a sole proprietorship?

Select correct option:

Unlimited liability

Single tax filing

Difficult ownership resale

Raising capital

Question # 8 of 10 (Start time: 04:10:16 PM) Total Marks: 1

Which of the following effects price of the bond?

Select correct option:

Market interest rate

Required rate of return

Interest rate risk

All of the given options

Question # 9 of 10 (Start time: 04:10:31 PM) Total Marks: 1

An annuity due is always worth _____ a comparable annuity.

Select correct option:

Less than

More than

Equal to

Can not be found from the given information

Question # 10 of 10 (Start time: 04:10:53 PM) Total Marks: 1

A capital budgeting technique through which discount rate equates the present value of the future net cash flows from an investment project with the project's initial cash outflow is known as:

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

MGT201 Solved MCQ3 from Quiz

The objective of financial management is to maximize _____ wealth.

Select correct option:

Stakeholders

Shareholders

Bondholders

Directors

Where there is single period capital rationing, what the most sensible way of making investment decisions?

Select correct option:

Choose all projects with a positive NPV

Group projects together to allocate the funds available and select the group of projects with the highest NPV

Choose the project with the highest NPV

Calculate IRR and select the projects with the highest IRRs

The logic behind _____ is that instead of looking at net cash flows you look at cash inflows and outflows separately for each point in time.

Select correct option:

IRR

MIRR

MGT201_latest solved mcqs with reference by shifa .. Mega Super File
PV

NPV

The RBS pays 5.60%, compounded daily (based on 360 days), on a 9-month certificate of deposit, if you deposit Rs.20, 000 you would expect to earn around _____ in interest.

Select correct option:

Rs.840

Rs.858

Rs.1,032

Rs.1,121

$\{ [1 + (.056/360)] ^ {270} - 1 \} = .042891$ or 4.2891%. Thus, \$20,000 (.042891) = \$857.82.

Who determine the market price of a share of common stock?

Select correct option:

The board of directors of the firm

The stock exchange on which the stock is listed

The president of the company

Individuals buying and selling the

At the termination of project, which of the following needs to be considered relating to project assets?

Select correct option:

Salvage value

Book value

MGT201_latest solved mcqs with reference by shifa .. Mega Super File
Intrinsic value

Fair value

With continuous compounding at 8 percent for 20 years, what is the approximate future value of a Rs. 20,000 initial investment?

Select correct option:

Rs.52,000

Rs.93,219

Rs.99,061

Rs.915,240

Amount = $P \cdot (1+i/n)^n$

To increase a given future value, the discount rate should be adjusted _____.

Select correct option:

Upward

Downward

First upward and then downward

None of the given options

What is a legal agreement, also called the deed of trust, between the corporation issuing bonds and the bondholders that establish the terms of the bond issue?

Select correct option:

Indenture

Debenture

Bond trustee

MGT201 Solved MCQ4 from Quiz

Question # 1 of 10

An annuity due is always worth _____ a comparable annuity.

Select correct option:

Less than

More than

Equal to

Can not be found from the given information

Question # 2 of 10 (Start time: 04:11:40 PM) Total Marks: 1

Which of the following would be considered a cash-flow item from an "investing" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Question # 3 of 10 (Start time: 04:13:04 PM) Total Marks: 1

Which of the following effects price of the bond?

Select correct option:

Market interest rate

Required rate of return

Interest rate risk

All of the given options

Question # 4 of 10 (Start time: 04:13:54 PM) Total Marks: 1

Where there is single period capital rationing, what the most sensible way of making investment decisions?

Select correct option:

Choose all projects with a positive NPV

Group projects together to allocate the funds available and select the group of projects with the highest NPV

Choose the project with the highest NPV

Calculate IRR and select the projects with the highest IRRs

Question # 5 of 10 (Start time: 04:15:07 PM) Total Marks: 1

Which of the following statements is correct in distinguishing between serial bonds and sinking-fund bonds?

MGT201_latest solved mcqs with reference by shifa .. Mega Super File
Select correct option:

Serial bonds mature at a variety of dates, but sinking-fund bonds mature at a single date.

Serial bonds provide for the deliberate retirement of bonds prior to maturity, but sinking-fund bonds do not provide for the deliberate retirement of bonds prior to maturity

Serial bonds do not provide for the deliberate retirement of bonds prior to maturity, but sinking-fund bonds do provide for the deliberate retirement of bonds prior to maturity.

None of the above are correct since

Question # 6 of 10 (Start time: 04:16:37 PM) Total Marks: 1

Which group of ratios measures a firm's ability to meet short-term obligations?

Select correct option:

Liquidity ratios

Debt ratios

Coverage ratios

Profitability ratios

Debt ratios show the extent to which the firm is financed with debt.

Question # 7 of 10 (Start time: 04:17:10 PM) Total Marks: 1

Why companies invest in projects with negative NPV?

Select correct option:

Because there is hidden value in each project

Because there may be chance of rapid growth

Because they have invested a lot

All of the given options

Question # 8 of 10 (Start time: 04:18:03 PM) Total Marks: 1

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Question # 9 of 10 (Start time: 04:19:01 PM) Total Marks: 1

A project that tells us the number of years required to recover our initial cash investment based on the project's expected cash flows is:

Select correct option:

Pay back period

Internal rate of return

Net present value

Which group of ratios measures a firm's ability to meet short-term obligations?

Select correct option:

Liquidity ratios

Debt ratios

Coverage ratios

Profitability ratios

A class of financial metrics that is used to determine a company's ability to pay off its short-term debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts.

Liquidity Ratios

Common liquidity ratios include the current ratio, the quick ratio and the operating cash flow ratio. Different analysts consider different assets to be relevant in calculating liquidity. Some analysts will calculate only the sum of cash and equivalents divided by current liabilities because they feel that they are the most liquid assets, and would be the most likely to be used to cover short-term debts in an emergency.

A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. Bankruptcy analysts and mortgage originators frequently use the liquidity ratios to determine whether a company will be able to continue as a going concern

MGT201_latest solved mcqs with reference by shifa .. Mega Super File

Which one of the following selects the combination of investment proposals that will provide the greatest increase in the value of the firm within the budget ceiling constraint?

Select correct option:

Cash budgeting

Capital budgeting

Capital rationing

Capital expenditure

[Reference](#)

With continuous compounding at 8 percent for 20 years, what is the approximate future value of a Rs. 20,000 initial investment?

Select correct option:

Rs.52,000

Rs.93,219

Rs.99,061

Rs.915,240

Amount = $P \cdot (1+i/n)^n$

Its not multiple compounding otherwise use this formula

$P \cdot (1+i/m/n)^{m \cdot n}$

A project that tells us the number of years required to recover our initial cash investment based on the project's expected cash flows is:

Select correct option:

Pay back period

Internal rate of return

Net present value

Profitability index

A 5-year annuity due has periodic cash flows of Rs.100 each year. If the interest rate is 8 percent, the present value of this annuity is closest to which of the following equations?

Select correct option:

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 4 \text{ periods}) + Rs.100$

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 4 \text{ periods})(1.08)$

$(Rs.100)(PVIFA \text{ at } 8\% \text{ for } 6 \text{ periods}) - Rs.100$

Can not be found from the given information

What type of long-term financing most likely has the following features: 1) it has an infinite life, 2) it pays dividends, and 3) its cash flows are expected to be a constant annuity stream?

Select correct option:

Long-term debt

Preferred stock

Common stock

None of the given options

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

Real assets of the business

Liquid assets of the business

Fixed assets of the business

Long term assets of the business

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital

Limited liability of shareholders

Limited life of the corporate form

the current yield on a bond is equal to _____.

Select correct option:

Annual interest divided by the current market price

The yield to maturity

Annual interest divided by the par value

The internal rate of return

An 8-year annuity due has a present value of Rs.1,000. If the interest rate is 5 percent, the amount of each annuity payment is closest to which of the following?

Select correct option:

Rs.154.73

Rs.147.36

Rs.109.39

Rs.104.72

$FV = PMT * ((1+i)^n - 1)/i$ (formula use to calc fv of annuity)

$PV = PMT * ((1+i)^{-n} - 1)/i$ (formula use to calc PV of annuity)

Try to remember above two formulas for calc of annuity

$$1000 = pmt * ((1.05)^8 - 1)/.05$$

$$1000 = PMT * 6.46$$

$$PMT = 1000/6.46 = 154.73$$

www.virtualinspire.com

MGT201_latest solved mcqs with reference by shifa .. Mega Super File
Now from above two ann

www.virtualinspire.com