# **Lesson 2.4 Practice Quiz**

**4/4** points earned (100%)

Excellent!

Retake

[Course Home](https://www.coursera.org/learn/managerial-accounting-tools/home/welcome)

Correct

1 / 1 points

1. Capital budgeting measures are intended to facilitate investment decisions involving a single investment option.

1. True
2. **False**

**Correct Response**

Correct! Capital budgeting measures can be used to compare multiple investment options.

Correct

1 / 1 points

2. Which of the following is not a capital budgeting measure?

1. Net present value
2. Payback period
3. **Budgeted income statement**

**Correct Response**

Correct! The budgeted income statement may be influenced by capital expenditures but is not a measure of any single investment.

Correct

1 / 1 points

3. Which of the following capital investment measures does not rely on cash flows?

1. Net present value
2. Payback period
3. **Accounting rate of return**

**Correct Response**

Correct! The accounting rate of return relies on accounting-based measures, which are not necessarily cash-based.

Correct

1 / 1 points

4. Disintegration, Inc. is considering a long-term investment. The investment will require an investment of $84,000. It will have a useful life of 5 years, and no salvage (i.e., ending) value.

Annual cash savings from the investment are $40,000, and annual cash outflows are $16,000.

Assume that cash flows other than the initial investment occur evenly throughout the year.

What is the payback period?

1. 3 years
2. **3.5 years**

**Correct Response**

Correct! The net annual cash savings are $24,000. The initial investment of $84,000 is recovered after three full years of net cash flows totaling $72,000, and half of one additional year of cash flows of $12,000.

1. 4 years