

1 Finance – Costs, Revenue & Profit


Multiple choice questions

1. 'Revenue' or 'sales' is also known as:
 - a) capitalisation
 - b) profit
 - c) turnover
 - d) volume

2. Dream Cakes is a business that makes and sells wedding cakes and birthday cakes. In 2014 it sold 350 wedding cakes for £175 each and 730 birthday cakes for £65 each. In 2014 the annual sales revenue for Dream Cakes was:
 - a) £65,995
 - b) £108,700
 - c) £480,625
 - d) £659,950

3. Profit is calculated by:
 - a) adding variable costs to sales
 - b) adding total costs to turnover
 - c) deducting fixed costs from total costs
 - d) deducting both fixed and variable costs from revenue

4. Business costs that do not change when the quantity of output changes are known as:
 - a) fixed costs
 - b) head costs
 - c) total costs
 - d) variable costs



Unit 1 What is business?

5. Farnell Land Rover is a car dealership. Which of the following is most unlikely to be considered a variable cost for Farnell Land Rover?
- a) Percentage discounts offered on vehicle selling price
 - b) Buildings insurance
 - c) Sales commissions
 - d) Vehicles on the forecourt
6. A frozen food company offers a choice of 260 tasty dishes delivered free to customers, ready to store in the freezer and cook in minutes. In 2014 the business reported an annual profit of £2,455,800 after deducting total costs of £4,248,200 from sales revenue. Fixed costs were £2,135,000. A total of 58,700 deliveries were made in 2014. What is the variable cost per delivery?
- a) £72.37
 - b) £35.37
 - c) £36.00
 - d) £30.53
7. A small bistro in Saltaire, Yorkshire, opens for seven days a week. The average customer spend is £7.50 per visit. The average daily number of customers is 66. Around 200 customers visit over the weekend. The average weekly revenue for the Saltaire bistro is:
- a) £13,200
 - b) £3,975
 - c) £3,465
 - d) £1,995
8. ISEE Opticians sells a wide range of spectacles and offers free sight tests to all customers. In 2014 its total costs were £2,040,000 and it enjoyed a profit of almost £1 million. During the year 6,000 pairs of spectacles were sold. The variable cost of each of the 6,000 customer transactions was £120. In 2014 ISEE Opticians incurred monthly fixed costs of:
- a) £86,000
 - b) £110,000
 - c) £173,333
 - d) £193,333