

BTEC National Business
Unit 3 Personal and Business Finance
Multiple Choice Question Test Bank

MCQ Test 3

This MCQ test contains 15 questions covering the specification content for Section B: Business Finance

Instructions:

- **There are 15 questions in this test**
- **Your teacher will determine how long you have to complete this test and under what conditions**
- Only one answer per question is allowed.
- For each answer completely fill in the circle alongside the appropriate answer.
- If you want to change your answer you must cross out your original answer.
- If you wish to return to an answer previously crossed out, ring the answer you now wish to select.

0 1 What does net assets show?

- A The difference between current assets and current liabilities ☐
- B The difference between total assets and liabilities ☐
- C The difference between non-current assets and current liabilities ☐
- D The difference between non-current assets and non-current liabilities ☐

1 mark

0 2 Which of the following is NOT an external source of business finance?

- A Invoice discounting ☐
- B Debt factoring ☐
- C Sale of assets ☐
- D Peer to peer lending ☐

1 mark

0 3 What would be the impact on the closing cash balance of a business if debt factoring was used?

- A The closing balance would improve ☐
- B The closing balance would worsen ☐
- C The closing balance would stay the same ☐
- D The closing balance would become negative ☐

1 mark

0 4 This source of finance involves paying to use an asset in instalments to spread the cost over its useful life. What source of finance works in this way?

- A Debt factoring ☐
- B Hire purchase ☐
- C Mortgage ☐
- D Loan ☐

1 mark

0 5 Which of the following would be LEAST favourable for a business?

- A Rising GP margin, falling trade receivables ☐
- B Rising trade receivables, rising trade payables ☐
- C Rising trade payables, rising ROCE ☐
- D Falling liquid asset ratio, rising trade payables ☐

1 mark

0 6 What would be the impact on the break-even point (BEP) and the margin of safety (MOS) if fixed costs decreased?

- A BEP would decrease and MOS would increase ☐
- B BEP would increase and MOS would decrease ☐
- C BEP would decrease and MOS would decrease ☐
- D BEP would increase and MOS would increase ☐

1 mark

0 7 Electricity paid quarterly in arrears is an example of :

- A A prepayment ☐
- B A non-current asset ☐
- C An accrual ☐
- D A non-current liability ☐

1 mark

- 0 8** Which of the following would result in the most immediate solution to a cash flow deficit?
- A Putting prices up to improve GP margins ☐
 - B Listing some non-current assets on an auction website ☐
 - C Increased advertising to promote more demand ☐
 - D Arranging an overdraft with the bank ☐
- 1 mark
- 0 9** Calculate the value of current assets from the following: trade receivables £120, trade payables £80, inventories £40, cash £60
- A £300 ☐
 - B £220 ☐
 - C £200 ☐
 - D £100 ☐
- 1 mark
- 1 0** Which of the following is NOT an example of revenue income?
- A Rent received ☐
 - B Discounts received ☐
 - C Loans received ☐
 - D Interest received ☐
- 1 mark
- 1 1** What feature do grants, crowd funding and owners capital have in common?
- A They are all internal sources of business finance ☐
 - B They are all external sources of business finance ☐
 - C They all result in interest payable ☐
 - D They are all considered as high risk ☐
- 1 mark

1 2 A key benefit of venture capital over a grant is:

- A Venture capital does not have to be paid back but grants do have to be paid back ☐
- B Venture capital is a guaranteed source of finance but grants are not ☐
- C Venture capital often comes with expert advice but grants do not ☐
- D Venture capital often comes with free travel insurance but grants do not ☐

1 mark

1 3 Calculate the liquid capital ratio from the following: trade receivables £120, trade payables £80, inventories £40, cash £60

- A 2.00 : 1 ☐
- B 2.25 : 1 ☐
- C 2.50 : 1 ☐
- D 2.75 : 1 ☐

1 mark

1 4 Which two lines are ALWAYS shown on a break-even chart?

- A TR and VC ☐
- B TR and FC ☐
- C FC and VC ☐
- D TC and TR ☐

1 mark

1 5 If variable cost per unit is £10 and selling price is £25, what is the contribution per unit?

- A £35 ☐
- B £15 ☐
- C £250 ☐
- D £0.25 ☐

1 mark

ANSWERS TO THIS MCQ TEST

Q	CORRECT
1	B
2	C
3	A
4	B
5	D
6	A
7	C
8	D
9	B
10	C
11	B
12	C
13	B
14	D
15	B