

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

MCQ Test 5

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 In what order should current assets be presented on a statement of financial position?

- A Cash, bank, trade receivables, inventories ☐
- B Trade receivables, bank, cash, inventories ☐
- C Inventories, cash, bank, trade receivables ☐
- D Inventories, trade receivables, bank, cash ☐

1 mark

0 2 An increase in the expense of rent would lead to:

- A A steepening of the FC line on a break-even graph ☐
- B An upward shift of the FC line on a break-even graph ☐
- C A steepening of the VC line on a break-even graph ☐
- D An upward shift of the VC line on a break-even graph ☐

1 mark

0 3 A definition of an accrual is an expense which is:

- A Paid but not yet due ☐
- B Due but not yet paid ☐
- C Paid and overdue ☐
- D Unpaid and overdue ☐

1 mark

- 0 4** Which of the following are needed to calculate the annual straight line depreciation on a non-current asset?
- A Cost, scrap value, price paid for delivery ☐
 - B Cost, residual value, price paid for annual maintenance ☐
 - C Cost, scrap value, expected life in years ☐
 - D Cost, re-sale value, age of owner ☐
- 1 mark
- 0 5** If value of opening inventories increases, what happens to the value of gross profit?
- A It decreases ☐
 - B It increases ☐
 - C It stays the same ☐
 - D It gets closer to net profit ☐
- 1 mark
- 0 6** An increase in the selling price per unit will ALWAYS lead to :
- A The TR line on a break-even graph becoming flatter ☐
 - B The TR line on a break-even graph becoming longer ☐
 - C The TR line on a break-even graph becoming steeper ☐
 - D The TR line on a break-even graph becoming shorter ☐
- 1 mark
- 0 7** Total revenue is calculated as:
- A Selling price per unit x closing inventory ☐
 - B Selling price per unit x units sold ☐
 - C Selling price per unit x units purchased ☐
 - D Selling price per unit x net profit margin % ☐
- 1 mark

0 8 What does the statement of comprehensive income show?

- A The profit or loss made by a business over a period of time ☐
- B The liquidity position of a business at a point in time ☐
- C The value of assets bought by a business over a period point in time ☐
- D The value of a business at a point in time ☐

1 mark

0 9 The formula for calculating gross profit is:

- A Net profit + sales ☐
- B Sales – expenses ☐
- C Sales – cost of goods sold ☐
- D Cost of goods sold - sales ☐

1 mark

1 0 The liquid capital ratio is calculated as:

- A CA – CL : inventories ☐
- B CL – inventories : CA ☐
- C CA – inventories : CL ☐
- D CL – CA : inventories ☐

1 mark

1 1 A capital employed figure of 20% means :

- A For every £1 invested into the business, it makes NP of £1.20 ☐
- B For every £100 invested into the business, it makes NP of 20p ☐
- C For every £1 invested into the business, it makes NP of 20p ☐
- D For every £100 invested into the business, it makes NP of £120 ☐

1 mark

1 2 Depreciation is applied to non-current assets in the statement of financial position in order to:

- A Show a true and fair value of the non-current assets ☐
- B Show a profitable valuation of the non-current assets ☐
- C Show how the non-current assets are affected by inflation ☐
- D Show what the non-current assets could make if leased out ☐

1 mark

1 3 Which of these is NOT a limitation of ratio analysis:

- A They are calculated on past data and therefore may not be a true reflection of the business's current performance ☐
- B Financial records may have been manipulated and therefore the ratios calculated could be based on potentially misleading data ☐
- C Ratios only consider qualitative factors, making them hard to calculate ☐
- D Inter-firm comparisons can be difficult as not all firms report their performance/generate accounts in the same way ☐

1 mark

1 4 What would be the MOST likely impact on trade receivable days if invoice discounting was offered to and accepted by a large customer of a business?

- A Trade receivables days would no longer exist ☐
- B Trade receivables days would reduce ☐
- C Trade receivables days would increase ☐
- D Trade receivables days would not be affected ☐

1 mark

1 5 FC are 40% of total costs. If total costs are £2,000 and output is 400 units, calculate the VC per unit?

- A £24 ☐
- B £12 ☐
- C £6 ☐
- D £3 ☐

1 mark

ANSWERS TO THIS MCQ TEST

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