

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

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## **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**

<b>Q</b>	<b>CORRECT</b>
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