**BTEC National Business**

**Unit 3 Personal and Business Finance**

**Multiple Choice Question Test Bank**

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**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.

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| 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 |

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| 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 |

|  |  |  |  |  |  |
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| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| 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 |

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| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| 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 |

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| 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 |