**BTEC National Business**

**Unit 3 Personal and Business Finance**

**Multiple Choice Question Test Bank**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**MCQ Test 4**

**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 | The MAIN drawback of leasing non-current assets is: | | | |
|  |  | A | You never own the non-current asset | 🖵 |  |
|  |  | B | The amount payable is usually slightly more in the long run than buying the non-current asset outright | 🖵 |  |
|  |  | C | You have to pay for special insurance on the non-current asset | 🖵 |  |
|  |  | D | It increases your variable costs | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 2 | An increase in the trade payables days would normally: | | | |
|  |  | A | Reduce fixed costs | 🖵 |  |
|  |  | B | Worsen cash flow | 🖵 |  |
|  |  | C | Increase operating profit | 🖵 |  |
|  |  | D | Improve cash flow | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 3 | Which of the following would NOT be an example of a cash outflow: | | | |
|  |  | A | Wages | 🖵 |  |
|  |  | B | Bank interest paid | 🖵 |  |
|  |  | C | Depreciation | 🖵 |  |
|  |  | D | Purchases of inventories | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 4 | Which of these formulae defines the margin of safety? | | | |
|  |  | A | Expected sales – Total Revenue | 🖵 |  |
|  |  | B | Expected sales – Break-even output | 🖵 |  |
|  |  | C | Total Profit - Break-even output | 🖵 |  |
|  |  | D | Break-even output – Expected sales | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 5 | Which of the following best describes a variable cost? | | | |
|  |  | A | A cost which has a direct relationship with output or sales | 🖵 |  |
|  |  | B | A fixed proportion of total costs | 🖵 |  |
|  |  | C | A cost which remains constant irrespective of output or sales | 🖵 |  |
|  |  | D | A cost which decreases proportionately with output or sales | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 6 | Which one of these actions would be most likely to increase the break-even point? | | | |
|  |  | A | Lower raw materials costs | 🖵 |  |
|  |  | B | Higher marketing spending | 🖵 |  |
|  |  | C | Higher sales volume | 🖵 |  |
|  |  | D | Lower rent costs | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 7 | The liquid capital ratio would increase if a business: | | | |
|  |  | A | Increased its non-current assets | 🖵 |  |
|  |  | B | Decreased its non-current liabilities | 🖵 |  |
|  |  | C | Had more trade receivables | 🖵 |  |
|  |  | D | Had less trade receivables | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 8 | Which of the following is an external source of business finance? | | | |
|  |  | A | Net current assets | 🖵 |  |
|  |  | B | Debt factoring | 🖵 |  |
|  |  | C | Retained profit | 🖵 |  |
|  |  | D | Sale of assets | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | 9 | Which of the following is NOT a short term source of business finance? | | | |
|  |  | A | Hire purchase | 🖵 |  |
|  |  | B | Mortgage | 🖵 |  |
|  |  | C | Leasing | 🖵 |  |
|  |  | D | Trade credit | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 0 | A car maintenance garage has fixed costs of £14,000 per month. An average service is priced at £140 per service & the break-even output is 200 services per month. What is the variable cost per service? | | | |
|  |  | A | £60 | 🖵 |  |
|  |  | B | £70 | 🖵 |  |
|  |  | C | £80 | 🖵 |  |
|  |  | D | £90 | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 1 | If cash inflows are £8,000 and net cash flow is (£2,000), calculate the value of cash outflows. | | | |
|  |  | A | £6,000 | 🖵 |  |
|  |  | B | £10,000 | 🖵 |  |
|  |  | C | £12,000 | 🖵 |  |
|  |  | D | £16,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 2 | What are fixed costs if a business makes a loss for the year of £200,000 after generating turnover of £850,000 and incurring variable costs of £225,000? | | | |
|  |  | A | £825,000 | 🖵 |  |
|  |  | B | £625,000 | 🖵 |  |
|  |  | C | £425,000 | 🖵 |  |
|  |  | D | £225,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 3 | If the NP margin is 30% and sales were £400,000, calculate the value of net profit. | | | |
|  |  | A | £10,000 | 🖵 |  |
|  |  | B | £12,000 | 🖵 |  |
|  |  | C | £100,000 | 🖵 |  |
|  |  | D | £120,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 4 | What would be the impact on profit if revenues fell by £100,000, variable costs increased by £25,000 and fixed costs increased by £15,000? | | | |
|  |  | A | Increase by £60,000 | 🖵 |  |
|  |  | B | Decrease by £60,000 | 🖵 |  |
|  |  | C | Increase by £140,000 | 🖵 |  |
|  |  | D | Decrease by £140,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 5 | If capital employed was £500,000 and net profit was £25,000, calculate the ROCE. | | | |
|  |  | A | 0.5% | 🖵 |  |
|  |  | B | 5% | 🖵 |  |
|  |  | C | 25% | 🖵 |  |
|  |  | D | 50% | 🖵 |  |
|  |  |  | |  | 1 mark |

**ANSWERS TO THIS MCQ TEST**

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