**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 |

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| 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 |

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| 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 |

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| 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 |

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

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

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