

**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.

**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**

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