

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

MCQ Test 1

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 Leasing would be the most appropriate way to finance the purchase of:

- A Inventories ☐
- B Company cars ☐
- C Trade receivables ☐
- D Advertising campaigns ☐

1 mark

0 2 A reduction in the quantity or value of inventories held would normally:

- A Improve cash flow ☐
- B Worsen cash flow ☐
- C Increase operating profit ☐
- D Reduce fixed costs ☐

1 mark

0 3 Which of the following would NOT be an example of a cash inflow:

- A Capital introduced ☐
- B Sale of assets ☐
- C Bank interest received ☐
- D Discounts allowed ☐

1 mark

0 4 Which of these formulae defines the point at which breakeven output is achieved?

- A Total Costs = Total Contribution ☐
- B Total Revenue = Total Price ☐
- C Total Profit = Total Costs ☐
- D Total Revenue = Total Costs ☐

1 mark

0 5 Which of the following best describes a fixed cost?

- A A cost which has a direct relationship with output ☐
- B A fixed proportion of total costs ☐
- C A cost which remains constant irrespective of output ☐
- D A cost which decreases proportionately with output ☐

1 mark

0 6 Which one of these actions would be MOST likely to improve contribution per unit?

- A Lower raw materials costs ☐
- B Higher marketing spending ☐
- C Higher discounts offered to customers ☐
- D Lower rent costs ☐

1 mark

0 7 Short-term cash flow can be improved by:

- A Increasing the value of finished goods inventories ☐
- B Extending the period of credit taken from suppliers ☐
- C Cutting the gross profit margin ☐
- D Repaying a long-term bank loan ☐

1 mark

0 8 Which of the following is an internal source of business finance?

- A Trade credit ☐
- B Bank overdraft ☐
- C Retained profit ☐
- D Leasing ☐

1 mark

0 9 What does a statement of financial position show?

- A The profit made by a business over a period of time ☐
- B The liquidity position of a business over a period of time ☐
- C The loss made by a business at a point in time ☐
- D The value of a business at a point in time ☐

1 mark

1 0 A specialist wedding cake baker's fixed costs are £7,000 per month. It sells cakes at a price of £57 per cake & the variable cost per cake is £22. What is the break-even level of output and sales each month?

- A 150 cakes ☐
- B 200 cakes ☐
- C 250 cakes ☐
- D 500 cakes ☐

1 mark

1 1 If cash outflows are £5,000 and net cash flow is £2,000, calculate the value of cash inflows.

- A £7,000 ☐
- B £3,000 ☐
- C (£3,000) ☐
- D (£7,000) ☐

1 mark

- 1 2** What are fixed costs if a business makes a profit for the year of £400,000 after turnover of £850,000 and total variable costs of £225,000?
- A £225,000 ☐
- B £625,000 ☐
- C £425,000 ☐
- D £450,000 ☐
- 1 mark
- 1 3** If the GP margin is 25% and sales were £300,000, calculate the value of gross profit.
- A £50,000 ☐
- B £60,000 ☐
- C £75,000 ☐
- D £100,000 ☐
- 1 mark
- 1 4** By how much would profit change if revenues rose by £150,000, variable costs increased by £75,000 and fixed costs fell by £25,000?
- A £25,000 ☐
- B £50,000 ☐
- C £75,000 ☐
- D £100,000 ☐
- 1 mark
- 1 5** If average inventories held were valued at £15,000 and cost of good sold was £200,000, calculate the inventory turnover.
- A 54.75 days ☐
- B 82.13 days ☐
- C 27.38 days ☐
- D 13.69 days ☐
- 1 mark

ANSWERS TO THIS MCQ TEST

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