

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

MCQ Test 2

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 Which of the following is NOT an external source of business finance?

- A Hire purchase ☐
- B Peer-to-peer lending ☐
- C Leasing ☐
- D Retained profit ☐

1 mark

0 2 How would an increase in the cost of raw materials affect a break –even chart?

- A The TR line would flatten ☐
- B The MOS would increase ☐
- C The FC line would shift downwards ☐
- D The TC line would steepen ☐

1 mark

0 3 A definition of a prepayment 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 A formula for the calculation of Net Assets is:

- A Current Assets – Current Liabilities ☐
- B Net Current Assets + Capital Employed ☐
- C Non-Current Assets + Net Current Assets – Non-Current Liabilities ☐
- D Current Liabilities + Non-Current Liabilities + Capital Employed ☐

1 mark

0 5 Which of the following is the best definition for retained profit?

- A Profit the business expects to make in the future ☐
- B The part of profit which has been paid to the Inland Revenue ☐
- C Profit distributed to owners or shareholders ☐
- D Profit after tax which has been left in the business for re-investment ☐

1 mark

0 6 Which of the following is a drawback of debt factoring as source of business finance?

- A It speeds up the flow of cash into the business from debts ☐
- B The factor company takes on the risk of bad debt ☐
- C Only receive a percentage of the amount owed ☐
- D It slows down the flow of cash into the business ☐

1 mark

0 7 If the inventory turnover ratio increases from 15 days to 20 days, this means:

- A Stock is being sold more often ☐
- B Stock is being sold more slowly ☐
- C More stock is being sold ☐
- D Less stock is being sold ☐

1 mark

0 8 The profit area on a break-even graph is:

- A Above the break-even point ☐
- B Below the break-even point ☐
- C To the left of the break-even point ☐
- D To the right of the break-even point ☐

1 mark

0 9 When calculating the reducing balance method of depreciation:

- A The non-current asset loses less value in the early years of its life ☐
- B The non-current asset loses more value in the early years of its life ☐
- C The non-current asset loses the same value throughout each year of its life ☐
- D The non-current asset loses value in line with inflation ☐

1 mark

1 0 A key benefit of a loan as a source of business finance is:

- A It allows a business easy access to large sums of money ☐
- B It is interest free if the business is profitable ☐
- C It can be paid back flexibly over the loan term ☐
- D It comes with incentives such as free travel insurance ☐

1 mark

1 1 The cash purchase of non-current assets will have the following impact on the statement of comprehensive income:

- A The cost of the non-current assets will be shown as an expense ☐
- B The maintenance of the non-current asset will be added to net profit ☐
- C The depreciation of the non-current asset will be shown as an expense ☐
- D The leasing costs of the non-current asset will be shown as an expense ☐

1 mark

1 2 A drawback of crowd funding as source of external finance is that:

- A It may takes a long time to raise the funds needed ☐
- B It could be hard to fit everyone into the business if the crowd is big ☐
- C Some members of the crowd expect a say in what the business spends the funds on ☐
- D The crowd might not be happy if cash flow problems arise ☐

1 mark

1 3 How is the trade receivable days ratio calculated?

- A Trade receivables/credit purchases x 365 ☐
- B Credit purchases/trade receivables x 365 ☐
- C Credit sales/trade receivables x 365 ☐
- D Trade receivables/credit sales x 365 ☐

1 mark

1 4 If inflows are £4,000 and the net cash flow is (£1,000), what was the value of outflows?

- A £3,000 ☐
- B £4,000 ☐
- C £5,000 ☐
- D £6,000 ☐

1 mark

1 5 A business facing seasonal sales can BEST deal with this by:

- A Increasing prices when demand is low ☐
- B Employing temporary staff when demand is high ☐
- C Increasing borrowing when demand is high ☐
- D Decreasing wages when demand is high ☐

1 mark

ANSWERS TO THIS MCQ TEST

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