

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