

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

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## **MCQ Test 6**

**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 trade payables days shows:

- A How many days a business takes to pay its rent
- B How many days a business's credit customers take to pay their invoices
- C How many days a business takes to pay its credit suppliers
- D How many days it takes suppliers to deliver inventories to a business

1 mark

**0 2** Which of the following sources of business finance does NOT incur interest:

- A Payday loan
- B Mortgage
- C Debenture
- D Owners capital

1 mark

**0 3** Which of the following would NOT appear on the Statement of Comprehensive Income?

- A Wages
- B Bank interest paid
- C Depreciation
- D Purchases of non-current assets

1 mark

**0 4** Which of the following would NOT be found on a Statement of Financial Position?

- A Trade payables
- B Cash
- C Interest paid
- D Capital

1 mark

**0 5** Which of the following is a formula for calculating the total contribution?

- A Total revenue – fixed costs
- B Total revenue - total costs
- C Fixed costs + profit
- D Fixed costs - profit

1 mark

**0 6** Which one of these actions would be MOST likely to increase the margin of safety?

- A Higher sales and higher break-even point
- B Higher sales and lower break-even point
- C Lower sales and higher break-even point
- D Lower sales and lower break-even point

1 mark

**0 7** The Return on Capital Employed of a sole trader can be improved by:

- A Increasing Net Profit
- B Decreasing payment terms to credit customers
- C Increasing capital employed
- D Decreasing dividends paid to shareholders

1 mark

- 0 8** Which of the following is a drawback of internal sources finance?
- A They do not belong to the owner
  - B They incur interest if used
  - C They may not be sufficient for the business's needs
  - D They can result in poor financial performance
- 1 mark
- 0 9** Which of the following is NOT an example of capital income?
- A Loan
  - B Mortgage
  - C Debentures
  - D Commission
- 1 mark
- 1 0** A dance school has to teach 240 lessons a week to break even. If the weekly margin of safety is 60 lessons, what is the maximum % that weekly number of lessons can fall by to avoid making a loss?
- A 10%
  - B 20%
  - C 30%
  - D 40%
- 1 mark
- 1 1** If cash inflows increase by £6,000 and cash outflows increase by £10,000, what will be the impact on the net cash flow?
- A Increase of £4,000
  - B Decrease of £4,000
  - C Increase of £16,000
  - D Decrease of £16,000
- 1 mark

**1 2** Which of the following is NOT an example of a tangible non-current asset :

- A Vehicles
- B Land and buildings
- C Inventories
- D Fixtures and fittings

1 mark

**1 3** If the GP margin is 60% and sales were £200,000, calculate the value of gross profit.

- A £100,000
- B £120,000
- C £140,000
- D £320,000

1 mark

**1 4** What is the MOST LIKELY reason for a business to use invoice discounting?

- A To encourage prompt or early payment by customers
- B To encourage prompt or early payment by suppliers
- C To increase trade receivables days
- D To decrease trade payables days

1 mark

**1 5** If the mark-up was 25% and cost of goods sold was £120,000, calculate the value of sales.

- A £30,000
- B £90,000
- C £120,000
- D £150,000

1 mark

**ANSWERS TO THIS MCQ TEST**

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