

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

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## **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