

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

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

Q	CORRECT
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