

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