**BTEC National Business**

**Unit 3 Personal and Business Finance**

**Multiple Choice Question Test Bank**

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**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.

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| 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 |

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| 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 |

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| 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 |

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| 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 |

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| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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 |

|  |  |  |  |  |  |
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| 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 |

|  |  |  |  |  |  |
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| 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 |

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| 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 |

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| 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 |

|  |  |  |  |  |  |
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| 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 |

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| 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 |