**BTEC National Business**

**Unit 3 Personal and Business Finance**

**Multiple Choice Question Test Bank**

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**MCQ Test 1**

**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 | Leasing would be the most appropriate way to finance the purchase of: | | | |
|  |  | A | Inventories | 🖵 |  |
|  |  | B | Company cars | 🖵 |  |
|  |  | C | Trade receivables | 🖵 |  |
|  |  | D | Advertising campaigns | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 2 | A reduction in the quantity or value of inventories held would normally: | | | |
|  |  | A | Improve cash flow | 🖵 |  |
|  |  | B | Worsen cash flow | 🖵 |  |
|  |  | C | Increase operating profit | 🖵 |  |
|  |  | D | Reduce fixed costs | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 3 | Which of the following would NOT be an example of a cash inflow: | | | |
|  |  | A | Capital introduced | 🖵 |  |
|  |  | B | Sale of assets | 🖵 |  |
|  |  | C | Bank interest received | 🖵 |  |
|  |  | D | Discounts allowed | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 4 | Which of these formulae defines the point at which breakeven output is achieved? | | | |
|  |  | A | Total Costs = Total Contribution | 🖵 |  |
|  |  | B | Total Revenue = Total Price | 🖵 |  |
|  |  | C | Total Profit = Total Costs | 🖵 |  |
|  |  | D | Total Revenue = Total Costs | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 5 | Which of the following best describes a fixed cost? | | | |
|  |  | A | A cost which has a direct relationship with output | 🖵 |  |
|  |  | B | A fixed proportion of total costs | 🖵 |  |
|  |  | C | A cost which remains constant irrespective of output | 🖵 |  |
|  |  | D | A cost which decreases proportionately with output | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 6 | Which one of these actions would be MOST likely to improve contribution per unit? | | | |
|  |  | A | Lower raw materials costs | 🖵 |  |
|  |  | B | Higher marketing spending | 🖵 |  |
|  |  | C | Higher discounts offered to customers | 🖵 |  |
|  |  | D | Lower rent costs | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 7 | Short-term cash flow can be improved by: | | | |
|  |  | A | Increasing the value of finished goods inventories | 🖵 |  |
|  |  | B | Extending the period of credit taken from suppliers | 🖵 |  |
|  |  | C | Cutting the gross profit margin | 🖵 |  |
|  |  | D | Repaying a long-term bank loan | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 8 | Which of the following is an internal source of business finance? | | | |
|  |  | A | Trade credit | 🖵 |  |
|  |  | B | Bank overdraft | 🖵 |  |
|  |  | C | Retained profit | 🖵 |  |
|  |  | D | Leasing | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 0 | 9 | What does a statement of financial position show? | | | |
|  |  | A | The profit made by a business over a period of time | 🖵 |  |
|  |  | B | The liquidity position of a business over a period of time | 🖵 |  |
|  |  | C | The loss made by a business at a point in time | 🖵 |  |
|  |  | D | The value of a business at a point in time | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 1 | 0 | A specialist wedding cake baker's fixed costs are £7,000 per month. It sells cakes at a price of £57 per cake & the variable cost per cake is £22. What is the break-even level of output and sales each month? | | | |
|  |  | A | 150 cakes | 🖵 |  |
|  |  | B | 200 cakes | 🖵 |  |
|  |  | C | 250 cakes | 🖵 |  |
|  |  | D | 500 cakes | 🖵 |  |
|  |  |  | |  | 1 mark |

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| --- | --- | --- | --- | --- | --- |
| 1 | 1 | If cash outflows are £5,000 and net cash flow is £2,000, calculate the value of cash inflows. | | | |
|  |  | A | £7,000 | 🖵 |  |
|  |  | B | £3,000 | 🖵 |  |
|  |  | C | (£3,000) | 🖵 |  |
|  |  | D | (£7,000) | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 1 | 2 | What are fixed costs if a business makes a profit for the year of £400,000 after turnover of £850,000 and total variable costs of £225,000? | | | |
|  |  | A | £225,000 | 🖵 |  |
|  |  | B | £625,000 | 🖵 |  |
|  |  | C | £425,000 | 🖵 |  |
|  |  | D | £450,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 1 | 3 | If the GP margin is 25% and sales were £300,000, calculate the value of gross profit. | | | |
|  |  | A | £50,000 | 🖵 |  |
|  |  | B | £60,000 | 🖵 |  |
|  |  | C | £75,000 | 🖵 |  |
|  |  | D | £100,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

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| 1 | 4 | By how much would profit change if revenues rose by £150,000, variable costs increased by £75,000 and fixed costs fell by £25,000? | | | |
|  |  | A | £25,000 | 🖵 |  |
|  |  | B | £50,000 | 🖵 |  |
|  |  | C | £75,000 | 🖵 |  |
|  |  | D | £100,000 | 🖵 |  |
|  |  |  | |  | 1 mark |

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| --- | --- | --- | --- | --- | --- |
| 1 | 5 | If average inventories held were valued at £15,000 and cost of good sold was £200,000, calculate the inventory turnover. | | | |
|  |  | A | 54.75 days | 🖵 |  |
|  |  | B | 82.13 days | 🖵 |  |
|  |  | C | 27.38 days | 🖵 |  |
|  |  | D | 13.69 days | 🖵 |  |
|  |  |  | |  | 1 mark |

**ANSWERS TO THIS MCQ TEST**

|  |  |
| --- | --- |
| **Q** | **CORRECT** |
| 1 | B |
| 2 | A |
| 3 | D |
| 4 | D |
| 5 | C |
| 6 | A |
| 7 | B |
| 8 | C |
| 9 | D |
| 10 | B |
| 11 | A |
| 12 | A |
| 13 | C |
| 14 | D |
| 15 | C |