

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

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## MCQ Test 5

This MCQ test contains 15 questions covering the specification content for Section B: Business Finance.

SAMPLE RESOURCE

**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** In what order should current assets be presented on a statement of financial position?

- A Cash, bank, trade receivables, inventories
- B Trade receivables, bank, cash, inventories
- C Inventories, cash, bank, trade receivables
- D Inventories, trade receivables, bank, cash

1 mark

**0 2** An increase in the expense of rent would lead to:

- A A downward shift of the FC line on a break-even graph
- B An upward shift of the FC line on a break-even graph
- C A steepening of the VC line on a break-even graph
- D An upward shift of the VC line on a break-even graph

1 mark

**0 3** A definition of an accrual is an expense which is:

- A Paid but not recorded
- B Due but not yet recorded
- C Paid and recorded
- D Due but not recorded

1 mark

0 4 Which of the following are needed to calculate the annual straight line depreciation on a non-current asset?

- A Cost, scrap value, price paid for delivery
- B Cost, residual value, price paid for annual maintenance
- C Cost, scrap value, expected life in years
- D Cost, re-sale value, age of owner

1 mark

0 5 If value of opening inventories increases, what happens to the value of gross profit?

- A It decreases
- B It increases
- C It stays the same
- D It gets closer to net profit

1 mark

0 6 An increase in the selling price per unit will ALWAYS lead to :

- A The TR line on a break-even graph becoming flatter
- B The TR line on a break-even graph becoming longer
- C The TR line on a break-even graph becoming steeper
- D The TR line on a break-even graph becoming shorter

1 mark

0 7 Total revenue is calculated as:

- A Selling price per unit x units sold
- B Selling price per unit x units purchased
- C Selling price per unit x net profit margin %
- D Selling price per unit x net profit margin %

1 mark

0 8 What does the statement of comprehensive income show?

- A The profit or loss made by a business over a period of time
- B The liquidity position of a business at a point in time
- C The value of assets bought by a business over a period point in time
- D The value of a business at a point in time

1 mark

0 9 The formula for calculating gross profit is:

- A Net profit + sales
- B Sales – expenses
- C Sales – cost of goods sold
- D Cost of goods sold - sales

1 mark

1 0 The liquid capital ratio is calculated as:

- A  $CA - CL : \text{inventories}$
- B  $CL - \text{inventories} : CA$
- C  $CA : \text{inventories}$
- D  $CL - CA : \text{inventories}$

1 mark

1 1 A company employed figure of 20% means:

- A For every £1 invested in the business, it makes NP of £1.20
- B For every £100 invested in the business, it makes NP of 20p
- C For every £1 invested in the business, it makes NP of 20p
- D For every £100 invested in the business, it makes NP of £120

1 mark

1 2 Depreciation is applied to non-current assets in the statement of financial position in order to:

- A Show a true and fair value of the non-current assets
- B Show a profitable valuation of the non-current assets
- C Show how the non-current assets are affected by inflation
- D Show what the non-current assets could make if leased out

1 mark

1 3 Which of these is NOT a limitation of ratio analysis:

- A They are calculated on past data and therefore may not be a true reflection of the business's current performance
- B Financial records may have been manipulated and therefore the ratios calculated could be based on potentially misleading data
- C Ratios only consider qualitative factors, making them hard to calculate
- D Inter-firm comparisons can be difficult as not all firms report their performance/generators in the same way

1 mark

1 4 What would be the most likely impact on trade receivables days if a discount was offered to and accepted by a large customer of a business:

- A Trade receivables days would no longer exist
- B Trade receivables days would reduce
- C Trade receivables days would increase
- D Trade receivables days would not be affected

1 mark

1 5 Variable costs are 40% of total costs. If total costs are £2,000 and output is 400 units, calculate the VC per unit?

- A £24
- B £12
- C £6
- D £3

1 mark

**ANSWERS TO THIS MCQ TEST**

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

SAMPLE RESOURCE