MCQ Summary Test 3

This MCQ test contains 13 questions covering the specification content for Theme 1: Investigating small business
Instructions:
• There are 13 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 questions 1-11 inclusive.
• Two answers should be selected for questions 12 and 13.
• 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 methods of market research best describes a small group of people selected to give in depth opinions on specific business issues, face to face?

A Observation □
B Questionnaire □
C Survey □
D Focus group □

[1 mark]

0 2 Which of the following is a drawback to an entrepreneur of starting a business as a sole trader?

A Profit is shared □
B Financial accounts are kept private □
C Limited liability □
D Unlimited liability □

[1 mark]

0 3 Details regarding estimated sales are most likely to be found in which section of a business plan?

A Business aims and objectives □
B Target market □
C Forecast revenue, costs and profit □
D Sources of finance □

[1 mark]
0 4 Which of the following is a consequence to every business of having cash flow problems?

A  It may not be able to pay its day-to-day bills
B  Customers will immediately stop buying its products
C  The national press will report trading difficulties to the general public
D  The business should reduce selling prices straight away

[1 mark]

0 5 Which of the following best describes the blend of price, product, promotion and place, upon which a business must make decisions in order to generate sales?

A  Market research
B  Market mapping
C  Market segments
D  Marketing mix

[1 mark]

0 6 Which of the following is most likely to occur as interest rates rise? Businesses:

A  Invest less money in the bank & borrow more money from the bank
B  Invest more money in the bank & borrow more money from the bank
C  Invest less money in the bank & borrow less money from the bank
D  Invest more money in the bank & borrow less money from the bank

[1 mark]

0 7 A supermarket stocks different products according to the demands of the local market. This is an example of segmentation according to:

A  Income
B  Gender
C  Age
D  Location

[1 mark]
Private limited companies have to pay tax on profits made during a financial year. Which of the following types of tax is this type of business required to pay on its profit?

A  Income tax  ☐
B  Corporation tax  ☐
C  Value added tax  ☐
D  Sugar tax  ☐

[1 mark]

Last year, a business sold 500 units. Fixed costs for the year were £25,000 and its variable cost per unit was £90. This year sales and fixed costs remained the same, but variable costs per unit have increased by 10%. What are the business’s total costs this year?

A  £20,000  ☐
B  £24,500  ☐
C  £70,000  ☐
D  £74,500  ☐

[1 mark]

An entrepreneur needs to be a risk taker. A characteristic of a risk taker is:

A  Being prepared to work long hours  ☐
B  Having lots of business ideas  ☐
C  Being prepared to make mistakes when making decisions  ☐
D  Having the ability to manage their time effectively  ☐

[1 mark]
1.1 A break even diagram for a new business start-up is shown below.

![A break even diagram for a new business start-up](image)

Based on this information, the main problem the business may face when starting up is:

A. The fixed costs are too high
B. The variable cost per unit is too high
C. Total variable costs are too high
D. Total revenue is too high

[1 mark]

1.2 A supplier has informed a new business start-up that the cost of raw materials will be 5% more than expected. Which two of the following would be true? Select two answers:

A. It would be easier to reach the break-even point
B. It would be harder to reach the break-even point
C. Total revenue would increase
D. Total costs would fall
E. Variable costs per unit would increase

[2 marks]
1 3 Which two of the following are the main advantages to businesses of using e-commerce? Select two answers:

A Increased choice of goods
B Risk of fraudulent activity when using electronic payment systems
C Access to wider markets
D Increase in competition
E Possible increase in sales due to 24 hour shopping

[2 marks]
## ANSWERS TO THIS MCQ TEST

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