

## Check In quiz

### Finance

### Questions

1. Which of the following tasks is part of the role of the finance function?

- A Choosing which pricing method to use
- B Ordering raw materials from suppliers
- C Paying the wages and salaries of the employees
- D Providing cash flow information to management

Your answer

[1]

2. Which of the following is the finance function of a business **most** likely to be concerned about?

- A The communication methods used by the business
- B The cost of running the business
- C The ethical profile of the business
- D The reputation of the business

Your answer

[1]

3. Short term finance is **most** likely to be used by a business when it:

- A has plenty of money in its bank account
- B is looking for a new partner
- C needs money to continue trading
- D wants to build a new factory

Your answer

[1]

# GCSE (9–1) BUSINESS

4. One advantage to a company of using a bank loan to fund its expansion is that:

- A business costs will fall
- B cash flow monitoring will not be required
- C interest is added to the amount that is owed
- D the money can be paid back in instalments

Your answer

[1]

5. Which of the following is a long term source of finance for an established company?

- A A share issue
- B An overdraft
- C Sale of assets
- D Trade credit

Your answer

[1]

6. A business will make a loss if:

- A its fixed costs are greater than its variable costs
- B its revenue is greater than its total costs
- C its total costs are greater than its revenue
- D its variable costs are greater than its fixed costs

Your answer

[1]

7. Which of the following is a consequence to a business of an increase in its monthly rent?

- A Break-even quantity increases
- B Profit increases
- C Total revenue falls
- D Variable costs rise

Your answer

[1]

8. Which type of cost will **not** change even if output increases?

- A Fixed cost
- B Production cost
- C Total cost
- D Variable cost

Your answer

[1]

9. A business sells 3000 items at 50p each.

Its revenue is:

- A £1500
- B 50p
- C £15 000
- D £3000

Your answer

[1]

10. Financial data for Sciser Ltd in 2016 is shown below.

- Revenue        £75 000
- Cost of sales   £32 000
- Expenses       £28 000

Sciser Ltd's gross profit in 2016 was:

- A £4000
- B £15 000
- C £43 000
- D £47 000

Your answer

[1]

# GCSE (9–1) BUSINESS

11. How is a firm's gross profit margin calculated?

- A Gross profit  $\div$  Revenue  $\times$  100
- B Net profit + Expenses
- C Revenue - Cost of sales
- D Revenue  $\div$  Gross profit  $\times$  100

Your answer

[1]

12. A clothes shop has a net profit margin of 10%.

This means:

- A For every £1 of sales, the shop has costs of 10p
- B For every £1 of sales, the shop makes 10p profit
- C For every £10 of profit, the shop has costs of 10p
- D For every £10 of profit, the shop makes £1 revenue

Your answer

[1]

13. A guitar maker wishes to buy a computerised machine at a cost of £30 000. The forecasted net cash-flow for each of the next four years is £9 000.

Based on the forecasted figures the average rate of return for this purchase will be:

- A 5%
- B 20%
- C 30%
- D 120%

Your answer

[1]

14. Which of the following must be true for a business whose total revenue equals its total costs?

- A The business has a cash flow crisis and needs an overdraft
- B The business has made a net loss
- C The business is making a profit
- D The business is operating at its break-even level of output

Your answer

[1]

15. Carlo charges £45 for his oven cleaning service. His variable cost for cleaning one oven is £10. Carlo's fixed costs are £1050 per week.

How many ovens does Carlo need to clean each week to break-even?

- A 23 ovens
- B 24 ovens
- C 30 ovens
- D 105 ovens

Your answer

[1]

16. Calculating the break-even point for a business can help it work out its:

- A average rate of return
- B chances of making a profit
- C liquidity position
- D net profit margin

Your answer

[1]

17. Cash is important in a partnership because:

- A a business needs to pay its bills
- B profits must be shared
- C shareholders must be paid
- D trade credit is not offered to partnerships

Your answer

[1]

18. Which of the following is **not** a reason to produce a cash flow forecast?

- A To estimate profit
- B To plan future spending
- C To predict when a business may run short of cash
- D To set financial targets

Your answer

[1]

19. A cash flow forecast for Coffee Enterprises is shown below.

	April	May	June
	£	£	£
<b>Total inflow</b>	18 000	16 000	21 000
<b>Total outflow</b>	16 000	22 000	20 000
<b>Net cash flow</b>	2000	-6000	1000
<b>Opening balance</b>	3000	5000	-1000
<b>Closing balance</b>	5000	-1000	0

Coffee Enterprises' cash flow forecast is useful because:

- A it alerts the owners to a likely cash shortage in May and June
- B it provides a detailed breakdown of all business costs
- C it shows the business will make a loss in May
- D it will guarantee that the business gets an overdraft from the bank

Your answer

[1]

20. An incomplete cash flow forecast for Swainston Sweets is shown below.

	January	February	March
	£	£	£
<b>Cash inflow:</b>			
Revenue	20 000	22 000	21 800
<b>Total inflow</b>	20 000	22 000	21 800
<b>Cash outflow:</b>			
Sweets	8200	9240	6900
Wages	4200	4200	4200
Overheads	8500	8500	8500
<b>Total outflow</b>	20 900	21 940	19 600
<b>Net cash flow</b>	(900)	60	2200
<b>Opening balance</b>		1100	1160
<b>Closing balance</b>	1100	1160	3360

What is Swainston Sweets' opening balance for January?

- A (£2000)
- B (£200)
- C £200
- D £2000

Your answer

[1]





## Mark scheme

Question	Answer	Marks	Rationale
1	(d)	1	<p>(a) This is a marketing function.</p> <p>(b) This is a procurement function.</p> <p>(c) This is a human resources function.</p> <p>(d) <b>Correct answer:</b> Providing all kinds of financial information, including cash flow, is a finance function.</p>
2	(b)	1	<p>(a) This may be a business-wide concern, but it is not the primary concern of the finance function.</p> <p>(b) <b>Correct answer:</b> The finance function is concerned about money in all its forms – cash flow, profit, cost and revenues.</p> <p>(c) This is of concern to the business in general and the marketing function in particular; it is not a specific concern of the finance function.</p> <p>(d) This is of concern to the business in general and the marketing function in particular; it is not a specific concern of the finance function.</p>
3	(c)	1	<p>(a) Short term finance is unlikely to be required if the business has plenty of money in its bank account.</p> <p>(b) A new partner is a source of finance, rather than a reason to seek finance.</p> <p>(c) <b>Correct answer:</b> Short term finance is usually needed when working capital is low.</p> <p>(d) Physical expansion usually requires long term finance.</p>
4	(d)	1	<p>(a) Costs will rise because of the interest charge.</p> <p>(b) Cash flow monitoring will still be required, and may be more important.</p> <p>(c) Interest will be added to the cost of the loan; however this is a disadvantage to the business.</p> <p>(d) <b>Correct answer:</b> This is an advantage as payments can be spread out, benefiting cash flow.</p>
5	(a)	1	<p>(a) <b>Correct answer:</b> A share issue is a long term source of finance which companies can use.</p> <p>(b) An overdraft is a short term source of finance.</p> <p>(c) The sale of assets is a one-off, so is not suitable for long term finance.</p> <p>(d) Trade credit is a short term source of finance.</p>

# GCSE (9–1) BUSINESS

Question	Answer	Marks	Rationale
6	(c)	1	<p>(a) The relationship between fixed and variable costs is irrelevant for the calculation of profit/loss.</p> <p>(b) If revenue is greater than cost the business will make a profit.</p> <p>(c) <b>Correct answer:</b> A loss occurs when costs are greater than revenue.</p> <p>(d) The relationship between fixed and variable costs is irrelevant for the calculation of profit/loss.</p>
7	(a)	1	<p>(a) <b>Correct answer:</b> An increase in rent will increase fixed costs and, therefore, the output required to break-even.</p> <p>(b) Costs will increase, so profit will fall.</p> <p>(c) Rent is a cost; it has no effect on revenue.</p> <p>(d) Costs will rise, but rent is a fixed cost rather than a variable cost.</p>
8	(a)	1	<p>(a) <b>Correct answer:</b> By definition a fixed cost does not vary with the level of output.</p> <p>(b) Production cost would include both fixed and variable costs, and will therefore change with output.</p> <p>(c) Total cost includes both fixed and variable costs, and will therefore change with output.</p> <p>(d) By definition, a variable cost changes as output changes.</p>
9	(a)	1	<p>(a) <b>Correct answer:</b> <math>3000 \times £0.50 = £1500</math>.</p> <p>(b) Revenue is confused with selling price.</p> <p>(c) Erroneously multiplies by £50 rather than £0.50.</p> <p>(d) Revenue confused with quantity sold.</p>
10	(c)	1	<p>(a) Erroneously calculates the difference between Cost of sales and Expenses.</p> <p>(b) This is the net profit.</p> <p>(c) <b>Correct answer:</b> Gross profit = Revenue – Cost of sales. <math>£75,000 - £32,000 = £43,000</math>.</p> <p>(d) Erroneously calculates Revenue minus Expenses.</p>
11	(a)	1	<p>(a) <b>Correct answer:</b> The gross profit margin is gross profit as a proportion of sales.</p> <p>(b) This is a way to calculate gross profit, rather than the gross profit margin.</p> <p>(c) This is a way to calculate gross profit, rather than the gross profit margin.</p> <p>(d) Formula inverted.</p>

# GCSE (9–1) BUSINESS

Question	Answer	Marks	Rationale
12	(b)	1	<p>(a) Incorrect.</p> <p>(b) <b>Correct answer:</b> Net profit margin is calculated using the formula: Net profit/Revenue. A 10% NP% would mean that for every £1 of takings a shop gets it makes 10p profit.</p> <p>(c) Incorrect.</p> <p>(d) Incorrect.</p>
13	(a)	1	<p>(a) <b>Correct answer:</b> <math>(£36,000 - £30,000)/£30,000 \times 100 \div 4 \text{ years} = £6000/£30,000 \times 100 \div 4 \text{ years} = 5\%</math></p> <p>(b) Correct method but forgets to divide by 4.</p> <p>(c) Uses revenue rather than profit i.e. <math>£36,000/£30,000 \times 100 \div 4 = 30\%</math></p> <p>(d) Uses revenue rather than profit and forgets to divide by 4 i.e. <math>£36,000/£30,0000 \times 100 = 120\%</math>.</p>
14	(d)	1	<p>(a) Just because costs equal revenues it does not necessarily mean the business has a cash flow crisis.</p> <p>(b) To make a loss, costs would need to be greater than revenues.</p> <p>(c) To make a profit, revenues would need to be greater than costs.</p> <p>(d) <b>Correct answer:</b> Break-even is the point at which total cost equals total revenue.</p>
15	(c)	1	<p>(a) Erroneously divides fixed costs by selling price, ignoring variable costs.</p> <p>(b) As answer A, but remembers that non-integer values of break-even should be rounded up to the nearest whole unit.</p> <p>(c) <b>Correct answer:</b> <math>BE = FC/(SP-VC)</math>. <math>BE = £1050/£35 = 30</math>.</p> <p>(d) Erroneously divides fixed costs by variable cost, ignoring selling price.</p>
16	(b)	1	<p>(a) Break-even will not help here. The ARR formula needs to be used.</p> <p>(b) <b>Correct answer:</b> All output beyond the break-even level should lead to the business making a profit.</p> <p>(c) A cash flow forecast, rather than a break-even calculation, will help a business ascertain its liquidity position.</p> <p>(d) Net profit margin cannot be worked out using break-even.</p>

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Question	Answer	Marks	Rationale
17	(a)	1	<p>(a) <b>Correct answer:</b> Cash is important to all businesses, including partnerships, because the business needs to pay its bills.</p> <p>(b) Profits do need to be shared in a partnership, however this is not a reason why cash is important to the business.</p> <p>(c) There are no shareholders in a partnership.</p> <p>(d) Trade credit is available on merit to all types of businesses, including partnerships.</p>
18	(a)	1	<p>(a) <b>Correct answer:</b> A cash flow forecast cannot be used to estimate profit.</p> <p>(b) A cash flow forecast can be used to plan future spending.</p> <p>(c) A cash flow forecast can be used to predict when a business may run short of cash.</p> <p>(d) A cash flow forecast is one of many documents that can be used to set financial targets.</p>
19	(a)	1	<p>(a) <b>Correct answer:</b> This particular cash flow forecast shows that the business is short of funds in May and June.</p> <p>(b) Incorrect, this cash flow gives summary details only.</p> <p>(c) This cash flow shows that the business has a negative closing balance in May, however this should not be confused with a trading loss.</p> <p>(d) Banks frequently request a cash flow forecast from a business applying for an overdraft, however the offer of an overdraft facility is still not guaranteed.</p>
20	(d)	1	<p>(a) Correct calculation of '£2000' but concludes that the answer is negative.</p> <p>(b) Erroneously deducts the closing balance of £1100 from the net cash flow figure of £900.</p> <p>(c) Erroneously deducts the net cash flow figure of £900 from the closing balance figure of £1100.</p> <p>(d) <b>Correct answer:</b> Opening balance + Net cash flow = Closing balance. Therefore, <math>\text{£}x + (\text{£}900) = \text{£}1100</math>. Therefore <math>x = \text{£}2000</math>.</p>

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