

1.3.4 Edexcel Business

Edexcel GCSE Business

1.3.4 Sources of business finance

Multiple Choice Question Test Bank

MCQ Test 6

This MCQ test contains 13 questions covering the specification content for 1.3.4: Sources of business finance

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(s).
- 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 is classed as a short-term source of finance?

- A Trade credit
- B Venture capital
- C Personal savings
- D Retained profit

[1 mark]

0 2 Which of the following is a reason why a new business start-up would need finance?

- A To fund expansion
- B To pay for replacement equipment
- C To carry out maintenance on a new piece of machinery
- D To pay a deposit for a premises

[1 mark]

0 3 An established seasonal partnership is experiencing cash flow problems during the winter months. Which of the following would be a suitable source of finance to overcome this problem?

- A Share capital
- B Venture capital
- C Overdraft
- D Crowdfunding

[1 mark]

0 4 A successful sole trader wants to raise funds to open a second restaurant and is eager to retain full control of the business. Which of the following sources of finance would be the most appropriate to fund this expansion?

- A Gain a partner
- B Arrange an overdraft facility
- C Obtain a bank loan
- D Issue new shares

[1 mark]

0 5 Raising funds from a wide variety of small investors by publicising an idea on the internet is called:

- A Personal savings
- B Venture capital
- C Trade credit
- D Crowdfunding

[1 mark]

0 6 A possible drawback to an entrepreneur of using personal savings to finance a new business enterprise is:

- A The amount will need to be repaid with interest
- B The amount available may be limited
- C It is an expensive form of finance
- D The entrepreneur may lose control of the business

[1 mark]

0 7 Which of the following is a benefit to a private limited company of using retained profit to finance its growth?

- A The business will not be required to pay dividends to its shareholders
- B The business will pay less tax on its profits
- C The amount will not need to be paid back
- D The amount available will always match fully the company's requirements

[1 mark]

- 0 8** To which of the following businesses might a supplier be reluctant to issue trade credit?
- A A new business start-up
 - B A successful franchise
 - C An established and thriving partnership
 - D A highly profitable and reputable private limited company
- [1 mark]
- 0 9** When using which of the following sources of finance would interest always need to be paid?
- A Share capital
 - B A loan from family and friends
 - C Overdraft
 - D Venture capital
- [1 mark]
- 1 0** Which type of business would venture capitalists be usually interested in investing funds?
- A An established private limited company
 - B A small business with slow sales growth potential
 - C A well-known franchise operation
 - D An entrepreneurial start-up with the possibility of high profits
- [1 mark]
- 1 1** Which of the following is an advantage to an entrepreneur of using venture capital to secure finance for a business start-up?
- A 100% of profits are always retained by the entrepreneur
 - B Control is never lost within the business
 - C Large amounts of finance are usually available
 - D The venture capitalist funds will never need repaying
- [1 mark]

- 1 2** Which **two** of the following are drawbacks to a sole trader of becoming a private limited company in order to raise finance for expansion?
Select **two** answers:

- A Interest will need to be paid on the amount raised
- B The process to change the type of ownership is time consuming
- C Less control over the decisions made within the business
- D The amount generated will need to be repaid
- E A dividend must always be paid each year to the shareholders

[2 marks]

- 1 3** Which **two** of the following are advantages to a start-up business of using an overdraft?
Select **two** answers:

- A Guaranteed funds from the bank for every start-up
- B Interest rates will always stay the same increasing business certainty
- C It provides flexibility to a business when it is short of cash
- D It will never be recalled at very short notice
- E Interest is only charged when used

[2 marks]

ANSWERS TO THIS MCQ TEST

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