

Edexcel GCSE Business

1.4.1 The options for start-up and small businesses

Multiple Choice Question Test Bank

MCQ Test 1

This MCQ test contains 13 questions covering the specification content for 1.4.1: The options for start-up and small businesses

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 best describes the term limited liability? If the business fails:

- A Personal possessions of the owner can be taken to pay any debts
- B The owner is personally liable for all the debts of the business
- C There is no limit on the amount the owner has to pay to settle debts
- D The owner only loses the amount invested in the business

[1 mark]

0 2 Five people have come together to start a business which has unlimited liability. Which type of business ownership have the entrepreneurs decided for their start-up?

- A Sole trader
- B Partnership
- C Private limited company
- D Public limited company

[1 mark]

0 3 An individual wants a quick, easy and inexpensive way to start-up a small business. In this situation, which of the following types of organisation should the individual select for his start-up?

- A Sole trader
- B Partnership
- C Private limited company
- D Franchise

[1 mark]

0 4 Which of the following is an advantage of operating a business as a private limited company?

- A It is easier to raise finance as the business can sell shares
- B Owners have unlimited liability
- C Partners can provide specialist knowledge and skills
- D It is very quick and easy to set up

[1 mark]

0 5 The agreement for one business to trade under another business' name is called a:

- A Sole trader
- B Partnership
- C Private limited company
- D Franchise

[1 mark]

0 6 A business has decided to expand in the UK through opening two new franchises. The forecast revenue over the next 3 years per franchise is shown in the table below.

| Year 1 | Year 2 | Year 3 |
|---------|---------|----------|
| £45,000 | £75,000 | £100,000 |

The franchisee will pay a royalty of 8%. How much will the franchisor receive in total in royalties in the next 3 years?

- A £3,600
- B £17,600
- C £35,200
- D £220,000

[1 mark]

0 7 Which of the following is always considered a disadvantage of setting up a business as a partnership in comparison to starting up as a sole trader?

- A Shared losses
- B Shared workload
- C Shared profit
- D Shared responsibility

[1 mark]

0 8 Which of the following organisations is most likely to sell shares for sale to invited investors?

- A Sole trader
- B Partnership
- C Private limited company
- D A business with unlimited liability

[1 mark]

0 9 The most likely reason for a sole trader to change into a private limited company is because it wants:

- A To share its financial accounts with the public
- B To raise additional finance
- C To benefit from unlimited liability
- D To avoid business continuity

[1 mark]

1 0 Which of the following is a disadvantage of being a private limited company?

- A It has a separate legal identity and therefore has continuity
- B Control is kept over who buys shares in the company
- C Shareholders' personal possessions cannot be taken to pay any debts
- D A summary of the business's accounts can be viewed by the public

[1 mark]

1 1 Which of the following is an advantage to a business of operating as a partnership rather than a sole trader?

- A Unlimited liability
- B Decision making is faster and easier
- C Liability is split
- D Financial accounts are kept private

[1 mark]

1 2 Which **two** of the following statements are always true of a sole trader?
Select **two** answers:

- A The owner has day to day control of the business
- B Liability is limited
- C Losses will be shared between partners
- D Shareholders own the business
- E Liability is unlimited

[2 marks]

1 3 Which **two** of the following are advantages of starting up and running as a franchise operation?
Select **two** answers:

The franchisee:

- A Has to provide all equipment such as IT systems
- B Gets advice and training from the franchisor
- C Has to pay royalties to the franchisor
- D May have to buy goods from the franchisor at a mark-up
- E Is part of a well-known firm with established brand name and product

[2 marks]

ANSWERS TO THIS MCQ TEST

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