

1.5.4 Edexcel Business

Edexcel GCSE Business

1.5.4 The economy and businesses

Multiple Choice Question Test Bank

MCQ Test 4

This MCQ test contains 13 questions covering the specification content for 1.5.4: The economy and 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(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 following best describes the term interest rate?

- A The price of one currency against another
- B The cost of borrowing money or reward for saving money
- C The value of goods and services bought by consumers
- D The reward for borrowing money or cost of saving money

[1 mark]

0 2 Which of the following is true in relation to the rate of inflation? Business costs are:

- A More likely to increase if the rate of inflation rises
- B More likely to stay the same if the rate of inflation rises
- C More likely to increase if the rate of inflation falls
- D More likely to decrease if the rate of inflation rises

[1 mark]

0 3 Which of the following businesses is most likely to experience a rise in demand as consumer income falls?

- A Travel agent selling specialist holidays
- B A producer of high quality chocolate
- C A department store selling discounted goods
- D A specialist bakery selling luxury products

[1 mark]

0 4 Which of the following is the most likely impact of rising unemployment levels on a business selling luxury goods?

- A Falling sales and rising profit
- B Rising sales and falling profit
- C Falling sales and falling profit
- D Rising sales and rising profit

[1 mark]

0 5 Which of the following is true of a UK importer of goods from Italy, if the value of the pound becomes weaker against the euro?

- A Sales increase and profit increases
- B Sales decrease and profit increases
- C Sales increase and profit decreases
- D Sales decrease and profit decreases

[1 mark]

0 6 A business has borrowed money from a bank in the form of an overdraft. If interest rates rise, the impact on the business will be:

- A Costs increase and profit decreases
- B Costs decrease and profit increase
- C Costs increase and profit increase
- D Costs decrease and profits decrease

[1 mark]

0 7 If the government increases the rate of corporation tax, companies are likely to:

- A Pay more tax and invest more into the business
- B Pay more tax and invest less into the business
- C Pay less tax and invest more into the business
- D Pay less tax and invest less into the business

[1 mark]

0 8 Which of following best describes the term exchange rate?

- A The reward for saving money and cost of borrowing money
- B The sales made from importing goods and services
- C The profit made from exporting goods and services
- D The price of one currency against another

[1 mark]

0 9 Which of the following is most likely to be true if the rate of inflation rises sharply?
Businesses are:

- A More likely to be able to manage rising costs
- B More likely to reduce selling prices
- C Less likely to be able to manage rising costs
- D Less likely to raise selling prices

[1 mark]

1 0 When an economy becomes weaker, interest rates are often reduced meaning consumers are more likely to:

- A Save more and spend less
- B Save less and spend more
- C Save more and spend more
- D Save less and spend less

[1 mark]

1 1 Which of the following is true for a UK exporter of goods to Portugal, when the pound becomes stronger against the euro?

- A Exports will become less expensive
- B Profits are likely to increase
- C Exports will become more expensive
- D Exports sales are likely to increase

[1 mark]

1 2 Which **two** of the following are potential advantages to a business which sells luxury products of high levels of employment?

Select **two** answers:

- A Business costs increase as wages and salaries rise
- B Increase in sales levels
- C Fewer potential employees will be available
- D Consumer incomes will increase
- E Staff turnover will increase

[2 marks]

1 3 Which **two** of the following are most likely to be true if interest rates fall for a new business?

Select **two** answers:

- A Loans become less expensive
- B Costs may increase
- C More likely to save money
- D Less likely to invest
- E Costs may decrease

[2 marks]

ANSWERS TO THIS MCQ TEST

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