

IAB LCCI Level 2 Certificate in Business Calculations

Group 1 – select 20 questions (4 marks each)

Group 2 – select 10 questions (2 marks each)

TOTAL MARKS = 100 marks

Group 1 – select 20 questions (4 marks each)

Question 1 Multiple choice (MCQ)

What is the main purpose of a credit note?

- A) To record a sale
- B) To return goods to a supplier
- C) To settle an outstanding debt
- D) To issue a refund

Answer: B) To return goods to a supplier

Question 3 Match items

Match the following trading documents with their definitions:

Order	A document that outlines the goods or services being purchased
Invoice	A document used to record the sale of goods or services
Credit note	A document issued to a customer when goods are returned
Statement	A document that shows the total value of all orders received

Question 6 Match items

Match the following commission types with their definitions:

Quantity commission	A) Commission paid based on the number of units sold
Graduated commission	B) Commission paid at one rate for an initial amount, increasing or decreasing for additional amounts
Percentage commission	C) Commission paid as a percentage of

	the total value of sales
Constant commission	D) Commission paid at a standard non-variable rate

Question 7 Insert values

Calculate the net pay as a percentage of gross pay for an employee who earns £2,500 per month and has a total deduction of £1,200 (including tax, insurance, and pension).

Answer: 48%

Question 10: Fill in blanks

A company has five employees, each earning a salary of £10,000. What is their weighted average salary if one employee receives a bonus of £5,000 and another employee receives a bonus of £2,000?

Answer: £11,400

Question 11: Insert Value

A bakery sells an average of 50 loaves of bread per weekday. If the bakery experiences a 10% increase in sales on weekends compared to weekdays, how many loaves of bread would they sell in a week, assuming a 7-day week?

Answers: 360

Question 13: Fill in blanks

A shop sells an average of £500 worth of goods per hour. If this rate remains constant, what would be the total revenue after 5 hours if the shop experiences a 10% increase in sales during the last hour?

Answer: £2,550

Question 15:MCQ

What happens when a currency's value increases compared to another currency?

- a) Depreciation b) Appreciation c) Commission d) Exchange rate

Answer: b) Appreciation

Question 16:MCQ

The process of changing one currency to another at a stated exchange rate is called _____.

Answer: Conversion

Realisation

Distribution

comparison

Question 17:Match items

Match the term with its correct definition:

Currency denomination	the standard unit of currency used in a country
Rate of exchange	the price at which one currency can be exchanged for another

Question 19:Insert values

If the rate of exchange between USD and GBP is 1USD=£0.80,what is the equivalent value in GBP of \$200?

Answer: £160

Question 20:MRQ

Which of the following factors can affect a currency's value?

- a) Currency denomination
- b) Rate of exchange
- c) Appreciation and depreciation
- d) Commission charged by agencies

Answers: c) Appreciation and depreciation, b) Rate of exchange

Question 21:MCQ

What is the term for the process of converting an amount of one currency to another at a stated exchange rate?

- a) Currency denomination
- b) Exchange rate
- c) Conversion
- d) Commission

Answer: c) Conversion

Question 22: MCQ

What is the type of purchase arrangement where the customer does not own the goods until all instalments have been paid?

- A) Credit Purchase B) Hire Purchase C) Leasing D) Cash Purchase

Answer: B) Hire Purchase

Question 24: Match Items

Match the following terms

a) Initial payment made to secure a purchase or lease agreement	Deposit
b) Outstanding amount still due on a hire purchase or credit purchase agreement	Balance
c) Regular payment made towards the settlement of a debt or loan	Instalment
d) Payment made before the agreed repayment term ends	Early Settlement

Question 25 : Match Items

Match the following words to their correct positions:

Leasing	A type of lease agreement where the lessee can choose to buy the asset at the end of the agreement.
Hire Purchase	A type of purchase arrangement where

	the customer owns the goods immediately.
Credit Purchase	A type of purchase arrangement where the customer does not own the goods until all instalments have been paid.
Cash purchase	A type of purchase where funds are immediately exchanged

Question 29: Insert Values

A partnership has two partners, John and Mary, who invest £5,000 each. After 6 months, John withdraws £1,000 from the partnership, and Mary adds £500 to her capital account. Calculate the new balance of John's capital account.

Answer: £4,000

Question: 30 Match Items

Match the following terms with their correct definitions:

A. Division of profit	Dividing profits or losses among partners
B. Withdrawal	Withdrawal - taking capital out of a partnership
C. Dissolution	The end of a business partnership
D. Distribution	Sharing profits among partners

Question 32: MRQ –

What are the three main ways to divide profits among partners who have initially invested different amounts of capital?

- A) Sharing in equal amounts
- B) Sharing in proportion to capital invested
- C) Paying previously agreed fixed salaries
- D) Paying contractually agreed sums related to ownership

Answer:

- B) Sharing in proportion to capital invested
- D) Paying contractually agreed sums related to ownership

Question 33: MRQ –

In the formula for calculating the accrued amount using compound interest, which of the following are essential elements?

- A) Principal amount
- B) Investment date
- C) Inflation rate
- D) Nominal interest rate

Answers: A, D

Question 35 :Insert Value

A business invests £5,000 at an annual rate of 8% compounded quarterly. What is the total amount after two years? 2 decimals

Answer: £ 5,858.30

Question 36:Insert Value

A business has a loan outstanding of £1000 with an annual rate of 12% compounded monthly. How much will be paid as interest after three years?

Answer: £430.77

Question 38:MCQ

What is the formula to calculate simple interest?

- A) $\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$
- B) $\text{Interest} = \text{Principal} + \text{Rate} + \text{Time}$
- C) $\text{Interest} = \text{Principal} - \text{Rate} - \text{Time}$
- D) $\text{Interest} = \text{Principal} / \text{Rate} / \text{Time}$

Answer: A) $\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$

Question 40: Match Items

Match the following overhead expenses with their descriptions:

Utilities	Fixed charges for a building
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Transport costs	Cost of using a courier service
Advertising costs	Cost of printing a newspaper advertisement
Insurance costs	Premium paid on an insurance policy after discount

Question 42:MCQ

What is the primary purpose of gross profit?

- A) To calculate total revenue
- B) To determine net income
- C) To measure profitability
- D) To track cash flow

Answer: C) To measure profitability

Question 43: MCQ

Which of the following is an example of a direct overhead expense?

- A) Rent for office space
- B) Salary for a sales representative
- C) Cost of printing business cards
- D) Commission paid to a delivery driver

Answer: B) Salary for a sales representative

Question 44: MCQ

What is the difference between a revenue and an expense in accounting terms?

- A) Revenue is an inflow, while an expense is an outflow
- B) Revenue is an outflow, while an expense is an inflow
- C) Both are inflows
- D) Both are outflows

Answer: A) Revenue is an inflow, while an expense is an outflow

Question 45: MCQ

Which of the following is a type of financial ratio used to measure profitability?

- A) Current ratio
- B) Debt-to-equity ratio
- C) Return on investment (ROI)
- D) Price-to-earnings (P/E) ratio

Answer: C) Return on investment (ROI)

Question 46: MCQ

What is the main purpose of a cash flow forecast?

- A) To determine an employer's overall salary/wage cost
- B) To predict changes in sales and revenue levels
- C) To create a budget for a business
- D) To calculate commission payments to staff

Answer: B) To predict changes in sales and revenue levels

Question 49 Insert values

An employee's gross pay is £800, and they have a total of £200 deducted from their gross pay for various reasons, including taxes and other contributions. If the employee receives an additional bonus of £150, what will be their net pay after all deductions and the bonus is added?

Answer: £750

Question 50: Insert values

An employee's gross pay is £1,200, and they have a total of £300 deducted from their gross pay for taxes and other contributions. Additionally, they receive a commission of 10% based on their sales performance. What is their net pay after all deductions and the commission is added?

Answer: £1020

Group 2 – select 14 questions (2 marks each)

Question 2 Insert values

Calculate the total value of an order that includes 10 units at £5 each and 5 units at £3 each. (Rounded to 2 decimal places)

Answer: £65.00

Question 4 Fill in blanks

A business offers a trade discount of 10% for orders over £1,000. If an order is worth £2,500, what is the amount payable after the trade discount?

Answer: £2,250

Question 5 True/False

A cash discount of 2% on early settlement of an invoice is a good way for a business to encourage customers to pay quickly.

Answer: True

Question 8: Insert values

What is the average of the following numbers: 5, 10, 15, 20, and 25?

Answer: The average is 15.

Question 9: Fill in the blanks

_____ is a type of mathematical average that identifies the middle value when data is arranged in order from smallest to largest?

Answer: Median

Mode

Mean

Range

Question 12: Insert Value

What is the mode of the following data: 2, 4, 6, 8, 6?

Answer: 6

Question 14: Insert values

What is the estimated mean of the following data: 15, 20, 25, 30?

Answer: 22.5.

Question 18: True/False

True or False: Financial institutions and currency exchange agencies typically impose a commission or fee for the conversion of currencies, which can vary based on factors such as the amount being exchanged, the currencies involved, and the prevailing market rates.

Answer: True

Question 23: Insert Values

John purchases a machine on hire purchase with an initial deposit of £1,500 and 36 monthly instalments of £250. What is the total amount John will pay for the machine?

Answer: £10,500

Question 26: True or False

Under hire purchase, the customer owns the goods as soon as they make the initial deposit.

Answer: FALSE

Question 27: MCQ

What is the impact on the total amount to be repaid if a customer settles their hire purchase agreement early?

- A) It increases
- B) It remains the same
- C) It decreases
- D) It cannot be determined

Answer: C) It decreases

Question 28:MCQ

What is the term used to describe the process of withdrawing capital from a partnership?

- A) Distribution
- B) Dissolution
- C) Withdrawal
- D) Addition

Answer: C) Withdrawal

Question 31:True/False

If a partner withdraws capital from a partnership, this is considered a profit distribution.

Answer: FALSE

Question 34: Insert Value

A loan of £1,000 is taken out with a rate of interest of 5% per annum. How much interest will be paid after one year?

Answer: £50

Question 37: Fill in blanks

Compound interest takes into account the effect of compounding, resulting in a greater total amount compared to _____ interest.

Answer: simple

Annual

Monthly

basic

Question 39: Insert Values

A company has a gross profit of £10,000 and total sales of £50,000. What is the gross profit percentage?

Answer: 20%

Question 41: True/False

A small business has a profit margin of 20% on its sales. This means it has made a loss.

Answer: FALSE

Question 47: Insert values

If an employee earns £25 per hour, works 30 hours, and has a basic rate of pay, what is their gross pay?

Answer: £750

Question 48: True/False

True or False: Commission can only be calculated based on number of units sold.

Answer: FALSE