

IAB LCCI Level 3 Certificate in Advanced Business Calculations

Group 1 – select 20 questions (4 marks each)

Group 2 – select 10 questions (2 marks each)

Group 1

Question 2: Insert Values

Calculate the total costs of a product that has fixed costs of £5,000 and variable costs of £2 per unit when 1,500 units are produced.

Answer: £8000

Question 4: Match Items

Match the following company share terms with their definitions:

A) Ordinary Share	A type of share that typically gives shareholders voting rights and entitles them to dividends that can vary based on the company's performance.
B) Preference Share	A type of share that usually does not carry voting rights but has a higher claim on assets and earnings than ordinary shares, often receiving fixed dividends.
C) Nominal Value	A type of share that reflects the value of a shareholder's legal liability in the event of an insolvency or winding-up order.
D) Market Value	The current price at which a share is trading on the stock market, which can fluctuate based on supply and demand.

Question 6. Match items –

Match the expenses incurred to the correct type of cost.

Cost of raw materials	Variable Cost
Salaries of permanent staff	Fixed Cost
Insurance premiums	Fixed Cost

Packaging costs	Variable Cost
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Question 9: Insert Values

Calculate the gross profit of a product that has sales revenue of £20,000 and total costs of 73% of sales.

Answer: £5400

Question 10: MRQ –

Which of the following are considered common business expenses? (Select all that apply)

- A) Office rent
- B) Employee salaries
- C) Personal groceries
- D) Personal vehicle maintenance

Answers: A, B

Question 12: Insert Values

Calculate the percentage return on capital employed for a business that has made a profit of £50,000 and has a capital employed of £200,000.

Answer: 25%

Question 13:

Match Items Match the following ratios to their definitions:

Gross profit percentage	Measures profitability from sales
Percentage return on capital employed	Measures efficiency of capital use
Working capital ratio	Measures liquidity and ability to pay debts
Gearing ratio	Measures financial leverage and risk

Question 16: Multiple Response

Which of the following are key components of working capital?

- A) Receivables
- B) Gross profit

C) Payables

D) Net profit

Answer: A, C

Question 17: Insert Values

Calculate the trade receivables collection period for a business that has an average debt of £5,000 and collects 90% of its debts within 60 days. (Give your answer to one decimal place.)

Answer: 66.7 days

Question 18: Match Items

Match the following terminology to their definitions:

Secured debt	Debt backed by collateral
Unsecured debt	Debt without collateral
Dividend	Payment made to shareholders
Interest	Percentage cost of debt

Question 21 (MRQ)

Select all the types of depreciation schedules that can be used:

A) Variable value depreciation

B) Reducing balance depreciation

C) Written-down value depreciation

D) Increasing balance depreciation

Answer: B, C

Question 22: Insert Values

Calculate the total depreciation over a period of 5 years using straight-line depreciation, if the initial cost is £10,000 and the expected working life is 5 years, assuming it has no residual value at the end of the period.

Answer: £10,000

Question 25: Insert Values

Calculate the total depreciation using reducing balance depreciation, if the initial cost is £15,000 and the expected working life is 3 years and the depreciation rate is 30%. (Give your answer to the nearest pound.)

Answer: £9,855

Question 26: MCQ

What is the purpose of a depreciation schedule?

- A) To record the increase in value of a non-current asset
- B) To calculate the total depreciation over a period
- C) To present the carrying value of a non-current asset at different points in time
- D) To compare different depreciation methods

Answer: C

Question 27: MRQ

Select the key differences between straight-line and reducing balance depreciation:

- A) The rate of annual depreciation is higher under reducing balance depreciation
- B) The total depreciation over a period is higher under straight-line depreciation
- C) The carrying value of an asset after depreciation is higher under reducing balance depreciation
- D) The profit margin of an asset is lower under straight-line depreciation

Answer: A, C

Question 28: Insert Value

Calculate the total depreciation over a period of 4 years using reducing balance depreciation, if the initial cost is £20,000 and the depreciation rate is 20%. (Give your answer to the nearest pound.)

Answer: £ 11,808

Question 31: MCQ

What does the Net Present Value (NPV) of an investment represent?

- A) The total cash inflows from the investment over its lifetime.
- B) The difference between the present value of cash inflows and the present value of cash outflows over a specific period.
- C) The rate of return expected from an investment.
- D) The initial cost of the investment.

Answer: B

Question 32: MRQ

Which of the following are types of inventory management methods?

- A) Just-In-Time
- B) Economic Order Quantity
- C) Returned Stock
- D) Lean Production Level

Answer: A, B

Question 33: Match Items

Match the following terms to their definitions:

Logistics	The process of planning and controlling the movement of goods from one place to another.
Scheduling	The act of arranging events or tasks in a specific order.
Demand	The level of customer interest in a product or service.
Stock	The quantity of goods held by a business.

Question 35: MRQ –

Which of the following statements are true regarding Economic Order Quantity (EOQ)? (Select all that apply)

- A) EOQ minimizes the total inventory costs, which include ordering costs and holding costs.
- B) EOQ is only applicable to perishable goods.
- C) The formula for EOQ assumes constant demand and lead time.
- D) EOQ helps in determining the optimal order size to maximise costs.

Answers: A, C

Question 37: MCQ

Which of the following components should be considered when calculating the total return of a project over its lifetime? (Select all that apply)

- A) Final project costs
- B) Initial revenue generated from the project
- C) Operating expenses incurred prior to the project's start
- D) Opportunity costs of capital

Answers: D

Question 38: Multiple Choice Question (MCQ)

What is the term used to describe the initial amount borrowed or invested?

- A) Principal
- B) Rate of interest
- C) Period
- D) Withdrawal

Answer:A

Question 39: Insert Values

Calculate the amount of simple interest paid on a principal investment of £5,000 at an annual rate of 4% for 3 years.

Insert your answer here: _____

Answer: £600

Question 41: Match Items

Match the following terms with their definitions:

Simple Interest	Interest calculated only on the principal amount, or the original amount of money borrowed or invested.
Compound Interest	Interest that is calculated on the initial principal and also on the accumulated interest from previous periods.
Fixed Interest	Interest rate that remains constant throughout the life of the loan or investment.
Variable Interest	Interest rate that can change over time, often in relation to an index or benchmark rate.

Question 42 MCQ

Fill in the blanks with the correct words:

When calculating compound interest, the _____ is the interest earned during the previous period that is added to the principal to determine the new balance for the next period.

- (A) rate of interest
- (B) amount of interest paid
- (C) time period
- (D) principal invested

Answer: C

Question 43: MCQ

If you invest £1,000 at an annual interest rate of 5% compounded annually, what will be the total amount in the account at the end of the 3 years?

- A) £1,150.00
- B) £1,157.63
- C) £1,200.00
- D) £1,215.51

Answer: B

Question 45: Insert Values

Calculate the rate of interest used to calculate an investment worth £2,500 at the end of 5 years, given that it was invested with an initial principal of £1,000 and no withdrawals or additions were made. (Give your answer to one decimal place.)

Insert your answer here: _____

Answer: 22.1%

Question 48: MCQ

What is the purpose of a price index?

- A) To measure the change in quantity of goods produced
- B) To measure the change in prices of goods and services
- C) To measure the change in production costs
- D) To measure the change in sales revenue

Answer: B

Question 49: MRQ

Select all correct responses:

- A) A weighted index is used to calculate a composite index
- B) A quantity relative is used to compare quantities between two time periods
- C) The final year is the starting point for calculating an index value

D) A price relative is used to compare prices between two time periods

Answers: A, D

Question 50:

Insert Values

A company's sales data for the last 5 years are:

Year	Sales
2020	£100,000
2019	£90,000
2018	£80,000
2017	£70,000
2016	£60,000

Calculate the quantity index value for 2020. ((Give your answer to one decimal place.)

Answer: 166.7

Question 51: Match Items

Match the following definitions to their corresponding terms:

a) Quantity Index	A measure that reflects the change in quantity of goods produced or consumed
b) Price Index	A measure of the change in prices over time
c) Weighted Index	An index that takes into account the relative importance of different items
d) Chain Base Index	An index that uses a series of base periods to calculate changes over time

Group 2

Question 1: MCQ

What is the term used to describe a business owned by one person?

A) Partnership B) Limited Company C) Sole Trader D) Corporation

Answer: C) Sole Trader

Question 3: MRQ

Which of the following are types of business ownership?

- A) Sole Trader
- B) Joint Entity
- C) Limited Company
- D) Residents Association

Answer: A, C

Is the following statement true or false?

Question 7: True/False

The break-even point is the level of sales at which total revenues equal total costs, resulting in neither profit nor loss.

Answer: TRUE

Question 8: MCQ

What is the term used to describe a business owned by multiple individuals?

- A) Sole Trader
- B) Limited Company
- C) Partnership
- D) Corporation

Answer: C) Partnership

Question 11: MCQ

What is the term used to describe the ratio of a business's current assets to its current liabilities?

- A) Working capital ratio
- B) Acid-test ratio
- C) Gearing ratio
- D) Current ratio

Answer: A

Question 14: MCQ

The shelf-life of inventory refers to the average period during which it remains:

- A) Usable and in good condition
- B) In storage before it is sold
- C) Subject to depreciation
- D) All of the above

Answer: A) Usable and in good condition

Question 15: True/False

The acid-test ratio is a measure of a business's ability to pay its debts.

Answer: TRUE

Question 19: Fill in Blanks –

The _____ ratio measures a business's ability to pay its debts within a year.

Answer: current

Quick

Cash

Operating cash flow

Question 20 (MCQ)

What is the primary purpose of depreciation?

- A) To calculate the total value of a non-current asset
- B) To record the decrease in value of a non-current asset over time
- C) To determine the selling price of a non-current asset
- D) To measure the profitability of a business

Answer: B

Question 23: MCQ

What is the carrying value of a non-current asset after deducting depreciation using reducing balance depreciation?

- A) The initial cost minus total depreciation
- B) The initial cost plus total depreciation
- C) The initial cost minus annual depreciation
- D) The initial cost minus scrap value

Answer: A

Question 24: MRQ

Select all the factors that affect the choice of depreciation method:

- A) Original sale price of the asset
- B) Expected working life
- C) Market value of the asset
- D) Profit margin

Answer: B, C

Question 29: True/False

Straight-line depreciation assumes that the asset's value decreases uniformly over its working life.

Answer: True

Question 30: MCQ

What is the term used to describe the period of time required to recover the initial investment in a project?

- A) Payback Period
- B) Net Present Value
- C) Internal Rate of Return
- D) Average Rate of Return

Answer: A

Question 34: True/False

True or False: A payback period is the same as an Internal Rate of Return (IRR).

Answer: FALSE

Question 36: MCQ

What is the term used to describe the average return of an investment over its lifetime?

- A) Internal Rate of Return (IRR)
- B) Average Rate of Return (ARR)
- C) Net Present Value (NPV)
- D) Payback Period

Answer: B

Question 40: MCQ

Which of the following statements is true about compound interest?

- A) It only applies to investments
- B) It only applies to loans
- C) It can be used to calculate interest on both investments and loans
- D) It always results in a higher amount of interest paid

Answer: C

Is the following statement true or false?

Question 44: True/False

True or False: Compound interest always results in a higher amount of interest paid than simple interest.

Answer: True

Question 46: MCQ

What is the term used to describe the process of converting one currency to another?

- A) Exchange rate
- B) Conversion fee
- C) Currency conversion
- D) Rate of interest

Answer: C

Question 47: Fill in Blanks -

To compare amounts and rates of interest, you need to analyse the different values and take into account any _____ that may affect the calculations.

Answer: variables

Constants

Rounding

trends