

IAB LCCI Level 2 Certificate in Business Calculations

Overview of content

1. The small business
2. Wages, salaries and commission
3. Partnerships
4. Business trading documents
5. Currency exchange
6. Hire purchase and leasing
7. Simple and compound interest
8. Averages

GROUP 1 – SELECT SEVEN (x4 marks each)

Question 1 - MCQ

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

- A) Salary of employees
- B) Cost of materials used in production
- C) Utilities bill
- D) Loan repayment

Answer C) Utilities bill

Question 2 - MCQ

Which of the following describes types of insurance that a business might have?

- A) Building insurance
- B) Vehicle insurance
- C) Public liability insurance
- D) All of the above

Answer D) All of the above

Question 3 - INSERT VALUE

What is the selling price required to create a gross profit of £10 if the cost price of an item is £8?

Answer £18

Question 4 - INSERT VALUE

Calculate the total overhead expenses, if a business has utility costs of £500, transport costs of £300 and advertising costs of £200.

Answer £1,000

Question 5 - MCQ

What is job costing?

- A) A method of calculating profit margin
- B) A method of allocating costs to tasks or projects
- C) A type of accounting system
- D) A type of financial analysis

Answer B) A method of allocating costs to tasks or projects

Question 6 - INSERT VALUE

Calculate the total cost of a job, if it has material costs of £20, labour costs of £15 and overhead expenses of £5.

Answer £40

Question 7 - INSERT VALUE

Calculate the cash flow forecast, if a business has a current trading period cash flow of £10,000 and a seasonal adjustment of £5,000.

Answer £15,000

Question 8 - MCQ

Which of the following describes a budget?

- A) A financial plan for a business
- B) A type of accounting system
- C) A method of forecasting profits
- D) A type of financial analysis

Answer A) A financial plan for a business

Question 9 - INSERT VALUE

Calculate the profit for the year for an organisation if it has a gross profit of £50,000 and total overhead expenses of £20,000.

Answer £30,000

Question 10 - INSERT VALUE

A company has an average monthly sales revenue of £10,000. If the total revenue for the last 3 months was £25,000, what is the estimated mean monthly sales revenue for the next 6 months?

Insert your answer here: _____

Answer £7,223 (calculated as $(£90,000 - £25,000) / 9$)

Question 11 - MATCH ITEMS

Match the following types of averages with their definitions:

A) Median	1. The middle value in a set of data when it is arranged in order.
B) Mode	2. The most frequently occurring value in a set of data.
C) Mean	3. A calculation that takes into account the importance or weight of each individual value.
D) Weighted Average	4. An average that is calculated by adding up all the values and dividing by the number of values.

Answer

A) 1, B) 2, C) 3, D) 4

GROUP 2 - SELECT FIVE (x4 marks each)

Question 12 - MCQ

What is gross pay?

- A) The amount paid to an employee after deductions have been made
- B) The total cost of employing a staff member, including taxes and insurance
- C) The salary or wages paid to an employee before any deductions are made
- D) The net pay received by an employee after all deductions have been taken off

Answer C) The salary or wages paid to an employee before any deductions are made

Question 13 - MCQ

What types of deductions are typically made from gross pay?

- A) Tax, insurance, and pension
- B) Commission, bonuses, and outsourcing fees
- C) Overtime rates, piece rates, and double time
- D) Social insurance, pension, and fulfilment costs

Answer A) Tax, insurance, and pension

Question 14- MATCH ITEMS

Match the following commission types to the correct descriptions

Graduated Commission	Increases as sales increase but at a decreasing rate
Percentage Commission	A fixed percentage of total sales revenue
Quantity Commission	Based on the number of sales made

Question 15 – INSERT VALUE

Calculate the net pay from the following details:

Gross Pay £3,500

Deductions £700 (tax), £200 (insurance), £100 (pension)

(Insert value _____)

Answer £2,500.00

Question 16 - MCQ

Which of the following describes outsourcing?

- A) Hiring staff to complete business-related tasks
- B) Performing administrative or customer service functions in-house
- C) Contracting with another company to complete specific business tasks
- D) Using technology to automate business processes

Answer C) Contracting with another company to complete specific business tasks

Question 17 - MCQ

What are the costs associated with outsourcing business-related tasks?

- A) Only manufacturing and packaging costs
- B) Only sales and finance costs
- C) All of the above, including manufacture, packaging, delivery, sales, and finance
- D) None of the above; outsourcing is free

Answer C) All of the above, including manufacture, packaging, delivery, sales, and finance

Question 18 - MCQ

What is the difference between time-and-a-quarter and time-and-a-half pay rates?

- A) Time-and-a-quarter is a higher rate than time-and-a-half
- B) Time-and-a-half is a higher rate than time-and-a-quarter
- C) Time-and-a-quarter is used for daytime work, while time-and-a-half is used for evening work
- D) There is no difference; both rates are the same

Answer B) Time-and-a-half is a higher rate than time-and-a-quarter

Question 19 - MCQ

What types of staff may be paid on a piece rate?

- A) Only sales staff
- B) Only manufacturing staff
- C) All staff, regardless of role or department
- D) Only administrative staff

Answer B) Only manufacturing staff

Question 20 -INSERT VALUE

Calculate the employer's overall wage cost from the following information:

Basic Rate of Pay £2,000

Overtime Pay £500

Total Deductions £1,200 (tax), £300 (insurance), £100 (pension)

(Insert value _____)

Answer £2,500

GROUP 3- SELECT SIX (x4 marks each)

Question 21 - MCQ

What is the term used to describe the amount of money invested in a partnership business?

- A) Capital
- B) Profit
- C) Interest
- D) Withdrawal

Answer A) Capital

Question 22 - INSERT VALUE

A partnership has two partners, Alex and Ben. Alex invests £10,000 and Ben invests £5,000. What is the total capital invested in the partnership?

Insert value _____

Answer £15,000 (Total of £10,000 + £5,000)

Question 23 - MRQ

Which of the following methods can be used to divide profits in a partnership?

- A) In equal amounts
- B) In proportion to capital invested
- C) Based on interest earned
- D) Based on salary received

Answer A, B (In equal amounts and In proportion to capital invested)

Question 24 - MATCH ITEMS

Match the following terms to their correct definitions

A) Profit	1.The amount of money earned by a business.
B) Capital	2.The amount of money invested in a business.
C) Interest	3.A payment made on an investment or debt.
D) Withdrawal	4.The act of taking out part of one's capital from a partnership.

Answer

A) 1, B)2, C)3, D)4

Question 25 - INSERT VALUE

A partnership has three partners, Charlie, David, and Emily. Charlie invests £15,000, David invests £10,000 and Emily invests £5,000. What is the total interest earned on their capital investment at an annual rate of 5%?

Insert value _____

Answer £1500

Question 26 -DRAG AND DROP

Drag the following values into the correct boxes:

- A) Partners' capital: £18,000
- B) Profit available for distribution: £10,000
- C) Interest on capital: £1,800

Boxes:

- 1.Capital accounts _____
- 2.Interest on capital _____
- 3.Profit available for distribution _____

Answers:

A) 1, B) 2, C) 3

Question 27 - TRUE/FALSE

A partner's salary is not considered when calculating the profit available for distribution in a partnership.

True or False?

Answer FALSE

Question 28 - MCQ

What happens when a partnership is dissolved and the partners' capital accounts are settled?

- A) The profit available for distribution increases
- B) The interest on capital is recalculated
- C) The partners' capital accounts are reduced to zero
- D) The partnership continues to operate

Answer C) The partners' capital accounts are reduced to zero

Question 29 - MATCH ITEMS

Match the following terms to their definitions

A) Principal	1 The initial amount borrowed or invested.
B) Rate of interest	2 The rate at which interest is paid or charged.
C) Period	3 The time for which a loan or investment is made.
D) Repayment	4 The process by which the borrower or investor returns the amount borrowed or invested.

Answer

A) 1, B) 2, C) 3, D) 4

GROUP 4 – SELECT SIX (x4 marks each)

Question 30 - MCQ

What is the term used to describe a reduction in the price of goods or services offered by a business?

- A) Cash discount
- B) Trade discount
- C) Profit margin
- D) Settlement amount

Answer B) Trade discount

Question 31 - MRQ

What different types of discounts can be offered by a business?

Select all correct responses

- A) Cash discount
- B) Trade discount
- C) Online discount
- D) Sales tax discount

Answer A, B (Cash discount and Trade discount)

Question 32 - MRQ

Which of the following are types of trading documents used in a business to support sales?
(Select all that apply)

- A) Order
- B) Invoice
- C) Settlement
- D) Statement

Answer: A, B, D

Question 33 - MATCH ITEMS

Match the following business documents to their correct descriptions

A) Order	1.A document used by a customer to request goods or services from a business.
B) Invoice	2.A document used by a business to bill a customer for goods or services provided.
C) Credit Note	3.A document used by a business to record a refund given to a customer.
D) Statement	4. A document used by a business to summarize the account balance and any outstanding amounts.

Answer

A) 1, B) 2, C) 3, D) 4

Question 34 - INSERT VALUE

A wholesale business has received an order for 20 units of product B at £25 each. The delivery costs are £5 per unit. What is the total value of the order, including delivery costs?

Insert value _____

Answer £600 (Total value = $20 \times £25 + £100$)

Question 35 - MCQ

What is the term used to describe a decrease in the value of one currency compared to another?

A) Appreciation

B) Depreciation

C) Currency denomination

D) Commission

Answer B) Depreciation

Question 35 - INSERT VALUE

A company needs to convert £500 to US dollars at an exchange rate of \$1.30 per pound. How much will they receive in US dollars?

Insert value _____

Answer \$650 (Total amount = £500 x \$1.30)

Question 36 - MRQ

What are the effects of a change in currency rates on the price of internationally traded goods?

Select all correct responses

A) Increase

B) Decrease

C) No effect

D) Appreciation

Answer A, B (The price may increase or decrease)

Question 37 - MATCH ITEMS

Match the following terms to their definitions:

A) Retail	1. Sales of goods or services directly to consumers
B) Wholesale	2. Sale of goods or services in large quantities to retailers or other businesses
C) Trade discount	3. A reduction in the price of an item given to a business customer

D) Cash discount	4. A reduction in the price of an item given for early payment

Answer:

A)1, B)2, C)3, D)4,

Question 38 - INSERT VALUE

A company purchases equipment using hire purchase with a cash price of £10,000 and a deposit of 20%. How much is the deposit?

Insert value _____

Answer £2,000 (Total amount = £10,000 x 0.20)

Question 39 - MCQ

What is the purpose of a credit note?

- A) To record a sale
- B) To record a return from a customer
- C) To calculate profit margin
- D) To prepare an invoice

Answer: B) To record a return from a customer

Question 40 - MRQ

What are the effects on a credit purchase agreement if the customer fails to make payments?

Select all correct responses

- A) The goods become the property of the customer.
- B) The customer is charged interest on the outstanding balance.

- C) The customer may be able to negotiate a settlement with the supplier.
- D) The customer will not be charged any additional fees.

Answers: B) The customer is charged interest on the outstanding balance; and C) The customer may be able to negotiate a settlement with the supplier.

MCQ GROUP – SELECT SIX (x2 marks each)

Question 41 - MCQ

What is the term for the difference between the selling price and the cost price of an item?

- A) Gross profit
- B) Profit margin
- C) Markup
- D) Selling price

Answer A) Gross profit

Question 42 - INSERT VALUE

Calculate the total cost of a product if it has a material cost of £5, labour cost of £3 and overhead expense of £2.

Answer £10

Question 43 - True/False

A business can always increase its profitability by increasing its sales volume.

Answer True

Question 44 - True/False

Online trading can be more profitable than offline sales methods for businesses that have high marketing costs.

Answer True

Question 45 - INSERT VALUE

The net pay-to-gross pay ratio is calculated by dividing the net pay by _____.

Answer: gross pay

Question 46 - True/False

Fulfilment refers to performing administrative or customer service functions in-house.

Answer TRUE

Question 47 - MCQ

What is a bonus?

- A) A one-time payment made to staff for meeting sales targets
- B) An ongoing payment made to staff for meeting sales targets
- C) A payment made to staff for completing overtime work
- D) A payment made to staff for performing administrative tasks

Answer A) A one-time payment made to staff for meeting sales targets

Question 48 - TRUE/FALSE

A partner's capital account increases when a withdrawal is made from their account.

Answer FALSE (A partner's capital account decreases when a withdrawal is made)

Question 49 - TRUE/FALSE

A hire purchase agreement allows the customer to return the goods at any time before the final payment is made.

Answer FALSE

Question 50 - INSERT VALUE

A loan of £10,000 is taken out for a period of 5 years with an annual rate of interest of 6%.
What is the total amount of simple interest paid over the 5-year period?

Insert your answer here _____

Answer £3,000 (calculated as $£10,000 \times 6\% \times 5$ years)