1. What is a common source of finance for long-term investments in a business?

a) Supplier credit
b) Equity financing
c) Short-term bank loans
d) Trade credit

Answer: b) Equity financing

Explanation: Equity financing involves raising capital by selling shares of ownership in the company. It is a common source of finance for long-term investments as it does not require immediate repayment and allows investors to share in the profits and losses of the business.

2. Which financial institution primarily provides term loans to businesses?

a) Commercial banks
b) Credit unions
c) Investment banks
d) Hedge funds

Answer: a) Commercial banks

Explanation: Commercial banks are financial institutions that offer various services, including providing term loans to businesses for financing long-term projects or investments.

3. What does capital structure refer to in finance?

a) The makeup of a company's executive team

b) The mix of debt and equity financing used by a company
c) The physical assets owned by a company
d) The company’s marketing strategies

Answer: b) The mix of debt and equity financing used by a company

Explanation: Capital structure refers to the combination of debt and equity used by a company to finance its overall operations and growth initiatives.

4. Which of the following is a component of working capital management?

a) Long-term investment planning
b) Inventory control
c) Issuing bonds
d) Shareholder meetings

Answer: b) Inventory control

Explanation: Working capital management involves managing a company’s short-term assets and liabilities, including inventory control, accounts receivable, and accounts payable, to ensure efficient operations and sufficient liquidity.

5. What is the purpose of costing in business?

a) To determine the selling price of products
b) To calculate employee salaries
c) To analyze market trends
d) To manage customer relationships

Answer: a) To determine the selling price of products

Explanation: Costing involves the process of determining the costs associated with producing a product or providing a service, which is essential for setting appropriate selling prices to ensure profitability.

6. What does break-even analysis help determine?

a) The maximum revenue a company can generate
b) The point at which total costs equal total revenue
c) The profit margin for each product sold
d) The optimal production level

Answer: b) The point at which total costs equal total revenue

Explanation: Break-even analysis calculates the level of sales at which a company’s total revenues equal its total costs, resulting in neither profit nor loss.

7. Which type of tax is levied on the income of individuals and corporations?

a) Excise duty
b) Sales tax
c) Income tax
d) Property tax

Answer: c) Income tax

Explanation: Income tax is a tax levied by governments on the income generated by individuals and corporations within their jurisdiction.

8. What is the purpose of excise duty?

a) To regulate the import and export of goods
b) To encourage foreign investment
c) To control inflation
d) To raise revenue on specific goods

Answer: d) To raise revenue on specific goods

Explanation: Excise duty is a type of tax imposed on the production or sale of certain goods, typically those considered luxury items or harmful to public health, with the primary purpose of raising revenue for the government.

9. Which tax is added to the price of goods and services at the point of sale?

a) Property tax
b) Value-added tax (VAT)
c) Corporate tax
d) Capital gains tax

Answer: b) Value-added tax (VAT)

Explanation: Value-added tax (VAT) is a consumption tax added to the price of goods and services at each stage of production and distribution, ultimately borne by the end consumer.

10. What is the primary function of sales tax?

a) To encourage saving
b) To discourage consumption
c) To regulate international trade
d) To generate revenue for the government

Answer: d) To generate revenue for the government

Explanation: Sales tax is a consumption tax levied on the sale of goods and services, with the primary purpose of generating revenue for the government to fund public services and programs.