

Financial Reasoning Test Practice Leaflet



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Purpose of this leaflet

This leaflet provides background information about the Financial Reasoning Test and includes a number of example questions to provide you with an opportunity to practice before completing the actual test.

Psychometric tests

Psychometric tests are a standardized way of measuring knowledge, abilities, attitudes or personality.

There are several reasons why organisations use psychometric tests in recruitment:

- They allow organisations to assess particular skills that are relevant for a role and allow you to see what skills are required
- They provide an objective, fair and consistent way to measure these skills
- They help both you and the organisation to establish if you have these skills

The Financial Reasoning test

The Financial Reasoning test is a psychometric ability test designed to assess how effectively people analyse, interpret and use numerical information in a financial context.

The duration of the test is 35 minutes and there are a total of 22 questions. The use of calculators is permitted.

The test and how it is scored

In the test, there are a number of different items. Each item consists of a piece of information, followed by a number of questions.

Please note for the purposes of this practice leaflet only one question per information source is presented.

For each question there are six potential responses. You will need to use the information in order to work out the correct answer.

There is a right answer for every question. These are listed against letters A-E. There is also an option to respond 'I do not know' (option F).

Selecting 'I do not know' indicates that you are not sure of the correct response. Try to work out the correct answer, but if you are not sure of your answer or unable to calculate the answer, select 'I do not know'.

Each question will be scored as follows:

- You gain a mark if you select the right answer
- You lose a mark if you select the wrong answer
- You do not gain or lose any marks if you select 'I do not know'

Practice questions

Information 1: CineEmpire reported that profits for the first half of the year rose by 33% after box office takings surged by 40% on the back of the release of a number of blockbusters.

As a result they are planning to increase the number of staff they employ in their 27 cinemas by 20%. CineEmpire currently employs 1755 people in its cinema network. 162 of their staff are in job share arrangements with another employee.

Question 1: There is a direct relationship between the percentage change in box office takings and the percentage change in profits. Analysts had predicted that box office takings would increase by 45% and had initially calculated future resource requirements on that increase. What % increase in profits would they have anticipated?

- A) 28%
- B) 37%
- C) 29%
- D) 45%
- E) 38%
- F) I do not know

Information 2: A National Audit Office (NAO) report released today looks specifically into the Office of Fair Trading's (OFT) competition enforcement and market study work.

The OFT spent approximately £26 million of its £78 million expenditure over the last year on its enforcement work.

The average time taken by the OFT's enforcement team to process high profile cases has been reduced by introducing better project management and more flexible ways of working, including using bigger teams and temporary legal staff. Typical high profile cases previously took 4 years to progress to an "advanced stage"; after the change, investigations into airline fuel surcharges reached the same stage in 18 months. In the three highest profile cases settled in the last year (airline fuel surcharges, dairy products and tobacco) parties have agreed to pay a total of £373 million in fines.

Question 2: The OFT plans to increase the proportion of total expenditure spent on enforcement by 10 percentage points. The total budget will be unchanged. How much will they spend on enforcement?

- A) £85.8 million
- B) £28.6 million
- C) £33.8 million
- D) £28.3 million
- E) £36.0 million
- F) I do not know

Information 3: Langridge Ltd are a product supplier. They have to ensure they sell enough each month to cover their overheads, as well as the costs per unit to produce (manufacture, distribute etc.) the products.

Financial information for Langridge Ltd.

Overheads (£)	Month 1	Month 2	Month 3
Wages	160,000	160,000	175,500
Rent	180,000	180,000	180,000
Marketing	25,000	19,000	23,000
Bank fees and charges	2,000	2,000	2,500
Maintenance	5,000	3,750	4,000
Utilities	1,200	1,800	1,750
Insurance	9,000	9,000	9,000
Total monthly overheads	382,200	375,550	395,750

Costs per unit (£)	
Manufacture	260
Distribution	2,580
Other	650

Sale price per unit (£)	
Price per unit	8,000

Question 3: Langridge Ltd sold 130 units in Month 2. What was their profit for that month?

- A) £210,750
- B) £1.04 million
- C) £586,300
- D) £453,700
- E) £1.4 million
- F) I do not know

Answers

Question 1 - B

Question 2 - C

Question 3 - A