

Free Financial Reasoning Test

10 questions with a worked solution for every one

This is a full-length practice test. Work through it under exam conditions if you can: give yourself 12 minutes and avoid checking the answers as you go. Every question is multiple choice with exactly one correct answer.

The worked solutions start after the last question. They show the method step by step and explain every wrong option, so a question you get wrong tells you something.

Questions	10
Suggested time limit	12 minutes
Format	Multiple choice, four options
Answers	Included, with full worked solutions

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Written by Guy Thornton. Updated 20 July 2026.

Questions

QUESTION 1 OF 10

A product sells for £80 and costs £52 to make. What is its gross profit margin?

- A) 35%
 - B) 53.8%
 - C) 65%
 - D) 28%
-

QUESTION 2 OF 10

What was the total profit across all three months?

Monthly revenue and costs for a small business

Month	Revenue (£)	Costs (£)
January	120,000	95,000
February	138,000	102,000
March	145,000	118,000

- A) £88,000
 - B) £403,000
 - C) £315,000
 - D) £61,000
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QUESTION 3 OF 10

£12,000 is invested at 4% simple interest per year. How much interest is earned after 3 years?

- A) £1,440
 - B) £480
 - C) £1,498.37
 - D) £13,440
-

QUESTION 4 OF 10

A company pays a supplier \$18,600. The exchange rate is £1 = \$1.24, and the bank adds a 1.5% fee to the converted sterling amount. What is the total cost in pounds?

- A) £15,225
 - B) £15,000
 - C) £23,410
 - D) £14,775
-

QUESTION 5 OF 10

By what percentage did operating profit change from Year 1 to Year 2?

Revenue and operating profit over two years

Year	Revenue (£)	Operating profit (£)
Year 1	500,000	60,000
Year 2	560,000	75,000

- A) 25% increase
 - B) 20% increase
 - C) 12% increase
 - D) 2.5% increase
-

QUESTION 6 OF 10

A £6,000 invoice offers a 2% discount for payment within ten days. How much is paid if the invoice is settled early?

- A) £5,880
 - B) £120
 - C) £6,120
 - D) £4,800
-

QUESTION 7 OF 10

Which product has the highest gross profit margin?

Selling price and unit cost by product

Product	Selling price (£)	Unit cost (£)
Product A	25.00	15.00
Product B	40.00	22.00
Product C	80.00	50.00
Product D	100.00	80.00

- A) Product A
- B) Product B
- C) Product C
- D) Product D

QUESTION 8 OF 10

£8,000 is deposited in an account paying 5% interest compounded annually. What is the balance after 2 years?

- A) £8,820
- B) £8,800
- C) £8,400
- D) £820

QUESTION 9 OF 10

A market stall began the week with £500 in its cash float. Using the receipts and payments below, what was the closing cash balance at the end of Wednesday?

Daily cash receipts and payments (opening float £500)

Day	Receipts (£)	Payments (£)
Monday	1,200	900
Tuesday	1,500	1,750
Wednesday	1,100	800

- A) £850
- B) £350
- C) £4,300
- D) £1,350

QUESTION 10 OF 10

What is the combined value of the three invoices in pounds?

Supplier invoices in three currencies and the rate applying to each

Supplier	Invoice amount	Currency	Exchange rate (units per £1)
Supplier P	6,900	EUR	1.15
Supplier Q	9,000	USD	1.25
Supplier R	4,200	CHF	1.05

- A) £17,200
 - B) £20,100
 - C) £17,478
 - D) £23,595
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Answers and worked solutions

Every wrong option is explained too, not just the correct answer.

Question 1

Correct answer: A) 35%

Gross profit is £80 - £52 = £28. Gross profit margin expresses that profit as a percentage of the selling price, so $28 \div 80 = 0.35$, which is 35%. Dividing the profit by the cost instead, $28 \div 52 = 53.8\%$, gives the mark-up, which uses the wrong base. Dividing the cost by the price, $52 \div 80 = 65\%$, gives the cost as a share of the price, the opposite of the margin. Reading the £28 cash profit itself as a percentage gives 28%, but a sum of money and the margin it represents are different quantities.

Question 2

Correct answer: A) £88,000

Profit each month is revenue minus costs. January: $120,000 - 95,000 = £25,000$. February: $138,000 - 102,000 = £36,000$. March: $145,000 - 118,000 = £27,000$. Total profit = $25,000 + 36,000 + 27,000 = £88,000$. Adding the revenue column alone gives £403,000, and adding the costs column alone gives £315,000; neither is profit, and in fact $403,000 - 315,000 = 88,000$ confirms the answer. Adding only January and February profit gives £61,000 and drops March.

Question 3

Correct answer: A) £1,440

Simple interest is the same each year: $12,000 \times 4\% = £480$ per year. Over 3 years that is $480 \times 3 = £1,440$. Answering £480 gives one year only and forgets to multiply by three. Using compound interest, $12,000 \times 1.04^3 - 12,000 = £1,498.37$, adds interest on the interest, but the question specifies simple interest, where the base stays £12,000 every year. Answering £13,440 gives the final balance, principal plus interest, when the question asks only for the interest earned.

Question 4

Correct answer: A) £15,225

Convert dollars to pounds by dividing by the rate: $18,600 \div 1.24 = £15,000$. Then add the 1.5% fee: $15,000 \times 0.015 = £225$, so the total is $15,000 + 225 = £15,225$. Stopping at £15,000 forgets the fee. Multiplying by 1.24 instead of dividing, then adding the fee, gives $23,064 \times 1.015 = £23,410$, which runs the conversion the wrong way: a dollar is worth less than a pound, so the sterling figure must be smaller. Deducting the fee rather than adding it gives $15,000 \times 0.985 = £14,775$, but a bank charge increases what is paid.

Question 5

Correct answer: A) 25% increase

Percentage change uses the starting year as the base. Operating profit rose by $75,000 - 60,000 = £15,000$, so $15,000 \div 60,000 = 0.25$, a 25% increase. Dividing by the Year 2 figure, $15,000 \div 75,000 = 20\%$, uses the wrong base. Looking at revenue instead of profit, $(560,000 - 500,000) \div 500,000 = 12\%$, answers about the wrong line of the table. Reading 0.25 as 0.025 gives 2.5% and misplaces the decimal point by one place.

Question 6

Correct answer: A) £5,880

A 2% discount reduces the £6,000 by $6,000 \times 0.02 = £120$, so the amount paid is $6,000 - 120 = £5,880$. Answering £120 gives only the size of the discount, not the amount payable. Adding the discount instead of subtracting it gives $6,000 + 120 = £6,120$, but a discount lowers the bill. Taking 20% off rather than 2%, $6,000 \times 0.80 = £4,800$, misreads the rate by a factor of ten; 2% is 0.02, not 0.20.

Question 7

Correct answer: B) Product B

Margin is gross profit as a percentage of selling price, so divide each product's profit by its price. Product A: $(25 - 15) \div 25 = 40\%$. Product B: $(40 - 22) \div 40 = 45\%$. Product C: $(80 - 50) \div 80 = 37.5\%$. Product D: $(100 - 80) \div 100 = 20\%$. Product B has the highest margin at 45%. Product C makes the most cash profit per unit at £30, but on an £80 price that is only 37.5%, so cash profit and margin are different measures. Product D has the highest selling price at £100, yet its £20 profit is just 20% of that price, the lowest margin here. Product A is the cheapest to make at £15, but a low cost does not guarantee the best margin: its 40% still trails Product B.

Question 8

Correct answer: A) £8,820

Compound interest applies each year to the growing balance. After year one: $8,000 \times 1.05 = £8,400$. After year two: $8,400 \times 1.05 = £8,820$. Using simple interest, two lots of 5% of the original £8,000 gives $8,000 + 400 + 400 = £8,800$, which misses the interest earned on the first year's interest. Answering £8,400 applies only one year of growth and stops early. Answering £820 gives the total interest earned but not the balance the question asks for.

Question 9

Correct answer: A) £850

Each day's net change is receipts minus payments: Monday +300, Tuesday -250, Wednesday +300. The net movement is $300 - 250 + 300 = +£350$. Add the £500 opening float: $500 + 350 = £850$. Answering £350 gives the net movement but forgets the opening float. Answering £4,300 adds the float to total receipts ($500 + 3,800$) and ignores the payments entirely. Answering £1,350 treats Tuesday's £250 shortfall as a gain rather than a loss, $500 + 300 + 250 + 300$, when payments that week exceeded receipts on that day.

Question 10

Correct answer: A) £17,200

Each rate is quoted as foreign-currency units per £1, so convert by dividing. Supplier P: $6,900 \div 1.15 = £6,000$. Supplier Q: $9,000 \div 1.25 = £7,200$. Supplier R: $4,200 \div 1.05 = £4,000$. Combined, $6,000 + 7,200 + 4,000 = £17,200$. Adding the face values without converting gives $6,900 + 9,000 + 4,200 = £20,100$, treating three currencies as interchangeable. Adding those face values and converting the lot at a single rate, $20,100 \div 1.15$, gives £17,478; each invoice has its own rate. Multiplying by the rate instead of dividing, $7,935 + 11,250 + 4,410$, gives £23,595, running every conversion backwards.

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