



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

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**COMMERCE**

Paper 1 Multiple Choice

**7100/01**

**May/June 2007**

**1 hour**

Additional Materials:      Multiple Choice Answer Sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

\* 9 0 6 7 4 0 4 2 5 8 \*

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**READ THESE INSTRUCTIONS FIRST**

Write in soft pencil.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.

There are **forty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A, B, C** and **D**.

Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

**Read the instructions on the Answer Sheet very carefully.**

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Any rough working should be done in this booklet.

The businesses described in this question paper are entirely fictitious.

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This document consists of **11** printed pages and **1** blank page.



- 1 What is the distribution of goods and services called?

A commerce  
B production  
C trade  
D transport

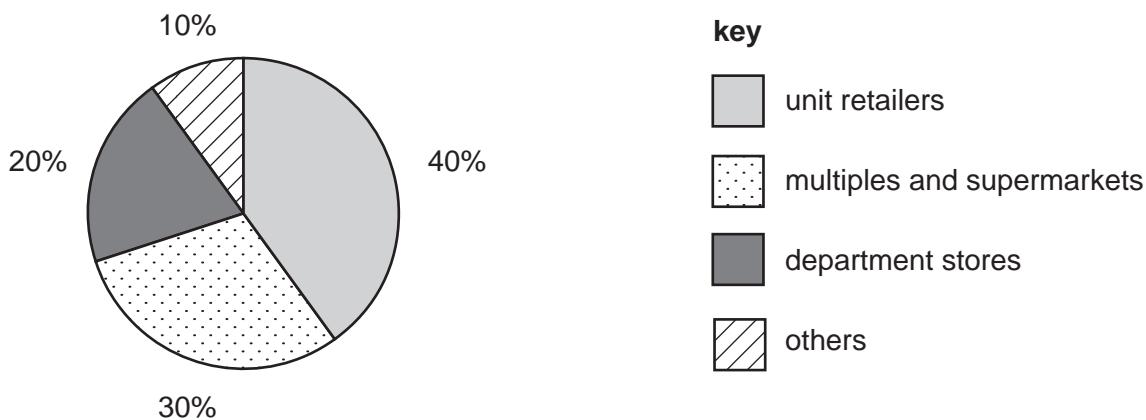
- 2 Organising the production process into different tasks so that workers can specialise in a particular task is known as

A aids to trade.  
B division of labour.  
C international trade.  
D pooling of risk.

- 3 Which list contains **only** direct services?

A accounting, nursing, teaching  
B advertising, insurance, shopkeeping  
C bottling, car manufacturing, road building  
D farming, mining, trapping

- 4 The pie chart shows the distribution of retail trade totalling \$200 bn.



What is the value of total sales of unit retailers?

- A \$20 bn      B \$40 bn      C \$60 bn      D \$80 bn

- 5 Why are supermarkets competitive?
- A They are situated in low rent areas.  
B They employ very few staff.  
C They have a high rate of turnover.  
D They spend little on advertising.
- 6 Which statement describes an advantage to the customer of having a loyalty card from a shop?
- A The customer becomes the owner after the final payment.  
B The customer has free after-sales service on goods bought.  
C The customer pays for goods by instalments.  
D The customer receives a reward when goods are purchased.
- 7 Despite competition from large retail outlets, why have small-scale retailers continued to survive?
- A cheaper goods  
B improved facilities  
C nearness to customers  
D wide choice of goods
- 8 How do wholesalers assist the efficient distribution of goods?
- A They deliver daily to shops.  
B They stock goods in small quantities.  
C They supply goods made by many manufacturers.  
D They transport bulk quantities to manufacturers.
- 9 Which service do wholesalers provide to manufacturers?
- A cash and carry  
B clearing production lines  
C controlling demand from consumers  
D loans for expansion

- 10 The diagram shows a sequence of commercial documents.



Which document completes this sequence of commercial documents?

- A consignment note
  - B credit note
  - C invoice
  - D receipt
- 11 Why is the amount of cash discount **not** shown on an invoice?

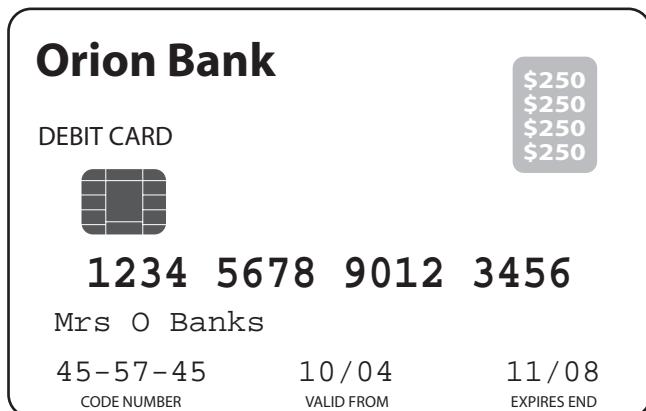
- A Cash discount has already been deducted from the purchase price.
- B Cash discount is allowed only if prompt payment is made.
- C The goods are purchased in bulk.
- D The invoice is a summary of many transactions.

- 12 The cost price of a jumper is \$30. The selling price is calculated by adding a 10% mark-up.

What is the total selling price of 20 jumpers?

- A \$330
  - B \$540
  - C \$600
  - D \$660
- 13 Money placed in a deposit account with a commercial bank earns
- A interest after a period of 3 months.
  - B interest from the day of deposit.
  - C no interest at all.
  - D no interest after a period of 3 months.

- 14 The card in the diagram is issued by a bank to its customers.



What is the purpose of this card?

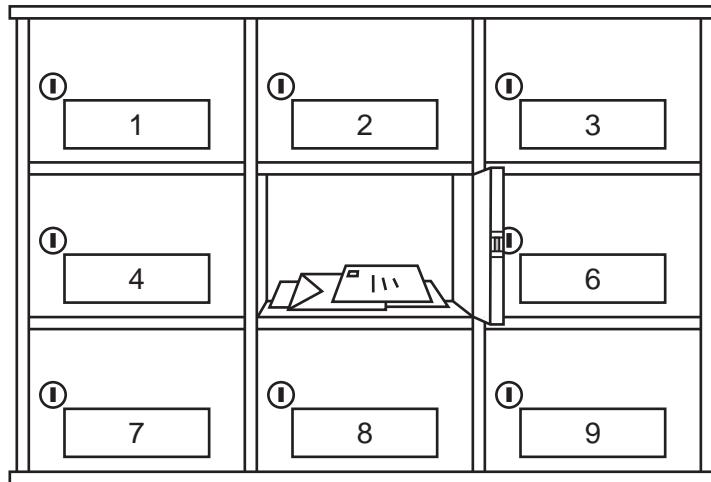
- A to borrow money from the bank
  - B to buy now and pay later
  - C to make immediate payment to a retailer
  - D to withdraw \$500 in cash at any one time
- 15 Which telecommunication service enables a business person to contact his office when travelling?
- A cell phone
  - B fax
  - C intranet
  - D pager

- 16 Forcel Ltd in Pakistan urgently needs machine parts from its factory in the UK.

Which method of communication would be most suitable to place this written order?

- A airmail letter
- B email
- C telephone
- D videoconferencing

17 What does the diagram show?



- A letterpost
- B night safes
- C private boxes
- D registered mail

18 What is the purpose of an advertising campaign for the advertiser?

- A to fix the price of goods
- B to improve the quality of goods
- C to know what goods are required
- D to sell more goods than before

19 Why would a tractor manufacturer advertise in a trade journal?

- A to give detailed technical information
- B to make use of cheap advertising space
- C to obtain international coverage
- D to reach a mass audience

20 What are electronic advertising boards called?

- A competitive advertising
- B digital billboards
- C posters
- D sales promotion

21 Why is the transport of goods by sea generally cheaper than using air freight?

- A Cargo can be carried in bulk.
- B Cargo handling is reduced.
- C Insurance costs are lower.
- D Less packing is required.

22 What is meant by the container revolution in the transport of goods?

- A different methods of packaging goods
- B refrigerated trucks and ships
- C roll-on, roll-off ferries
- D sealed, standard-sized boxes which can be moved quickly

23 Which of the following is **not** a purpose of the bill of lading?

- A contract of carriage
- B document of title
- C receipt for goods
- D request for payment

24 What is a responsibility of a port authority?

- A collecting customs duty
- B compiling statistics showing the pattern of trade
- C providing office space and warehouses
- D supervising the movement of imports and exports

25 Which product would be stored long-term in a warehouse?

- A iron ore
- B soap
- C timber
- D tomatoes

**26** What is the function of a bonded warehouse?

- A** to allow goods to be re-exported without payment of duty
- B** to keep smuggled and confiscated goods
- C** to manufacture goods for sale locally
- D** to store home-produced goods for packing

**27** Which form is completed when applying for insurance cover?

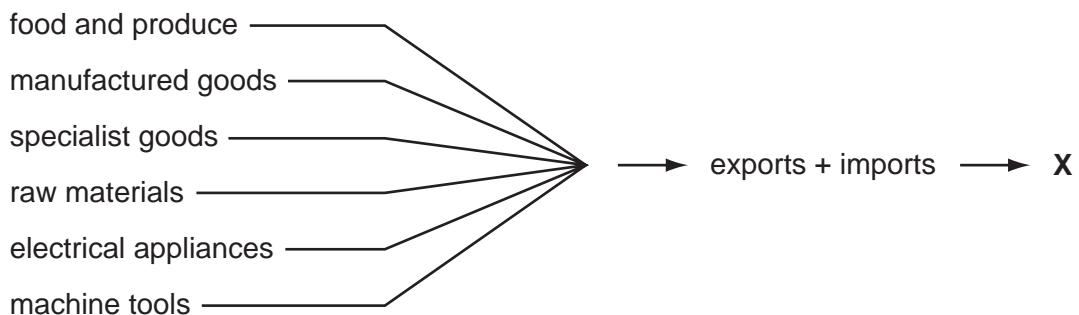
- A** claim form
- B** cover note
- C** policy
- D** proposal form

**28** The Safeguard Insurance Company needs a pool of \$500 000 out of which claims are met. It has 2500 policy holders who are each charged a premium of \$200.

If the company were able to double its number of policy holders to 5000, what effect would this have on the premiums payable?

- A** They would go down to \$100.
- B** They would stay the same.
- C** They would go up slightly to \$300.
- D** They would double to \$400.

**29** The diagram shows a country's foreign trade.



What does **X** represent?

- A** balance of payments
- B** invisible trade
- C** visible trade
- D** wholesale trade

30 The table shows the foreign trade figures of country Y.

foreign trade	\$ m
goods sold to other countries	480
goods bought from foreigners	400
payment for use of foreign banking services	50
money received from foreigners who use country Y's insurance services	75
money spent by citizens from other countries on holidays in country Y	40

What is the value of total exports from country Y?

- A \$480 m      B \$555 m      C \$595 m      D \$635 m

31 Who is responsible for enforcing import quotas?

- A commercial banks
- B customs authorities
- C factors
- D public corporations

32 A UK exporter plans to sell goods to China.

What does the exporter have to consider **first**?

- A arranging transport
- B changing currency
- C finding a market
- D obtaining a bank loan

33 What is an advantage of franchising to the **franchisor**?

- A The business can expand in a relatively short time.
- B Support is given in the form of site selection and choice of suppliers.
- C The franchisor researches and keeps in touch with current changes.
- D The franchisor retains all the profits from the business.

34 J K (Pty) Ltd is a successful and profitable company.

Why would the owners decide to turn the company into a public limited company?

- A to avoid publication of its financial affairs
- B to enjoy the benefits of limited liability
- C to have better control of the company's affairs
- D to obtain more capital for expansion

35 A company has an authorised share capital of \$1 500 000 and an issued share capital of \$800 000.

How much will be paid to shareholders if a 5% dividend is declared?

- A \$40 000
- B \$75 000
- C \$300 000
- D \$400 000

36 A businessman asks for a bank loan to purchase a van.

What evidence must he produce for the bank to grant him a loan?

- A proof of an accident-free driving record
- B proof of assets as security
- C proof of his management skills
- D proof that his account in the bank contains a lot of money

37 How is the rate of turnover calculated?

- A  $\frac{\text{cost price of sales}}{\text{average stock}}$
- B  $\frac{\text{opening stock}}{\text{closing stock}}$
- C  $\frac{\text{turnover}}{\text{gross profit}}$
- D  $\frac{\text{gross profit}}{\text{cost price of sales}}$

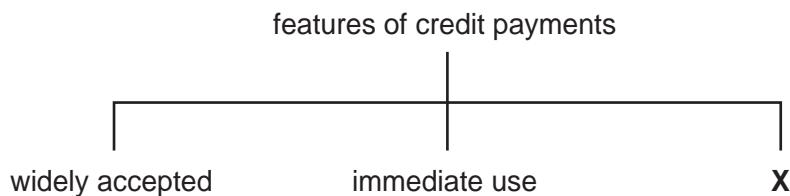
- 38 The following information is about manufacturing and selling wooden gates.

price of timber for a gate	\$20
other materials	\$5
manufacturer's selling price for each gate	\$110
wholesaler's selling price for each gate	\$150

What price would the retailer charge if he wanted to make 50 % profit on the sale of a wooden gate?

- A \$40      B \$165      C \$225      D \$285

- 39 The diagram shows the features of credit payments.



What is X?

- A easily transferred  
 B liquidity  
 C postponement of payment  
 D suitable for small payments
- 40 Which method of safeguarding consumers against unfair trading practices is likely to be **most** effective?
- A codes of practice set up by trading organisations  
 B consumer groups set up in small towns  
 C inspection of business premises by government officials  
 D legislation by governments

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