

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/01**

Paper 1 Multiple Choice

October/November 2006

**1 hour**

Additional Materials: Multiple Choice Answer Sheet  
Soft clean eraser  
Soft pencil (type B or HB is recommended)

**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.

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



1 What are the three stages in production?

- A buying, selling and distribution
- B extraction, manufacturing and distribution
- C importing, manufacturing and exporting
- D manufacturing, wholesaling and retailing

2 The figures relate to a country's economy in a particular year.

	output \$m
farming, forestry and fishing	7 000
mining and drilling	5 000
construction	5 000
manufacturing	70 000
communication and advertising	2 000
insurance, banking and finance	12 000
transport	8 000
warehousing and storage	2 000

What is the total value of primary output?

- A \$10 000      B \$12 000      C \$17 000      D \$75 000

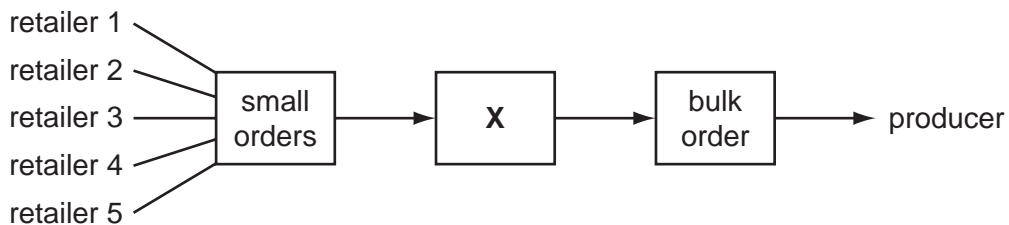
3 What is an advantage of specialisation?

- A It enables greater use of equipment.
- B It increases the cost of production.
- C Workers become self-sufficient.
- D Workers find their jobs more interesting.

4 What is the main function of a retailer?

- A to manufacture goods for customers
- B to sell goods in bulk to wholesalers
- C to supply raw materials to manufacturers
- D to supply small quantities of goods to consumers

- 5 What is a multiple chain?
- A a group of retailers buying from one wholesaler
  - B a group of wholesalers
  - C a large-scale retailer with many similar branches
  - D a large self-service store
- 6 Why is the branding of goods important for self-service stores?
- A Customers can identify the goods they require.
  - B Goods are less likely to be damaged.
  - C Perishable goods may be stored for long periods.
  - D Prices of goods are clearly marked.
- 7 What is a reason for a business to introduce Internet shopping?
- A computer security
  - B global market
  - C high overheads
  - D speedy delivery
- 8 The diagram shows part of a chain of distribution.



What does **X** represent?

- A agent
- B consumer
- C manufacturer
- D wholesaler


- 9 Which service is provided by wholesalers to manufacturers?
- A forecasting the likely changes in the market  
 B giving information on record-keeping and displays  
 C operating a cash-and-carry facility  
 D providing a wide range of goods
- 10 Why does a manufacturer obtain quotations from more than one supplier?
- A to check deliveries of goods from suppliers  
 B to check the manufacturer's accounts  
 C to compare suppliers' prices  
 D to find out how much the manufacturer owes suppliers
- 11 For what purpose is an invoice sent from the seller to the buyer?
- A to confirm the receipt of the customer's order  
 B to inform the buyer of the despatch of goods  
 C to show the details and cost of a particular purchase  
 D to summarise a number of transactions over a period
- 12 On 2 November 2006 a sports equipment retailer purchased sports clothing valued at \$800 from a manufacturer on the following credit terms:

trade discount	25%
cash discount	5% 30 days

If payment was made in full on 27 November 2006, how much was paid?

- A \$200                      B \$570                      C \$600                      D \$760
- 13 What is a current account at a commercial bank?
- A an account for daily transactions  
 B an account requiring a passbook  
 C an account used for savings  
 D an account which cannot be overdrawn

14 The diagram shows a cheque.

 <b>New Bank of South Asia</b>		20-42-17 Date <u>7/11/06</u>
Pay <u>Angali Dhar</u>	A/C Payee	<div style="border: 1px solid black; padding: 2px;">\$ 2000 —</div>
<u>Two thousand dollars only</u>	<hr/>	<u>Ahmed Khan</u>
20-42-17	1234567890	00029

Who is the drawer of this cheque?

- A A/C Payee
  - B Ahmed Khan
  - C Angali Dhar
  - D New Bank of South Asia
- 15 What is the advantage to a bank customer of using direct debit as a means of payment?
- A It ensures that a current account is not overdrawn.
  - B The bank asks for payment when it falls due.
  - C The customer is able to pay several accounts with one cheque.
  - D Variable amounts can be paid at irregular intervals.
- 16 Why is communication important in the global economy?
- A to assist businesses to develop plans and long-term policies
  - B to enable traders in many countries to compete with one another
  - C to protect industries in the home market
  - D to transport an increased volume of goods worldwide
- 17 What would be the most suitable way to place an order with an overseas supplier?
- A airmail letter
  - B e-mail
  - C intranet
  - D mobile phone

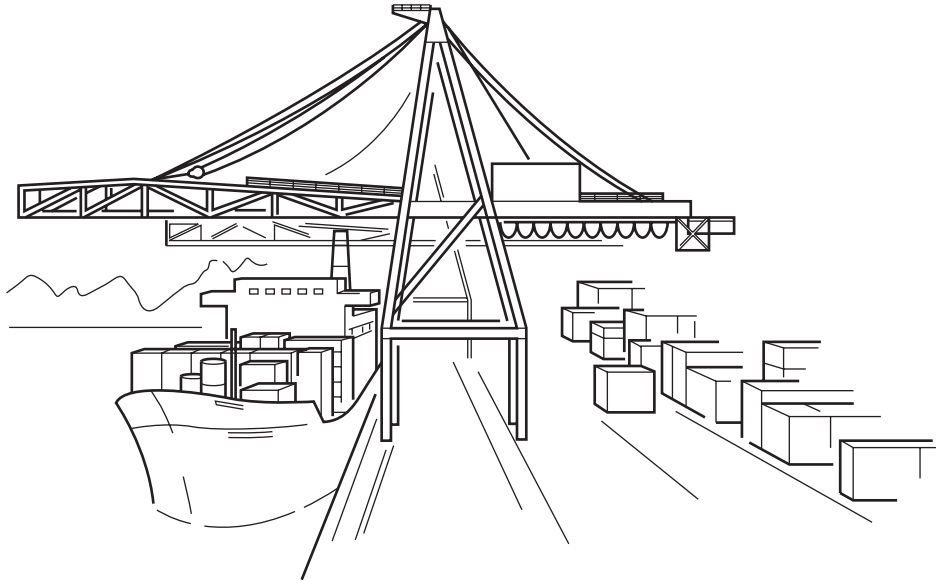
- 18 A large retail organisation sends thousands of letters to its customers every month.  
Which postal service would be most convenient?
- A business reply
  - B express delivery
  - C prepaid postage
  - D recorded delivery
- 19 Where sellers of similar products advertise their goods jointly, they are said to be using
- A collective advertising.
  - B competitive advertising.
  - C informative advertising.
  - D persuasive advertising.
- 20 Where is 'point of sale' advertising likely to be seen?
- A at an exhibition
  - B in a newspaper
  - C in a trade magazine
  - D on a shop counter
- 21 Nexus Cars Ltd is offering the following sales promotion on its DL model:

5 % off the normal price of \$22 000 one year's free insurance valued at \$500 a year's subscription to a motoring organisation valued at \$70
--

How much would a customer save if he bought his car with the sales promotion offer?

- A \$70                      B \$500                      C \$1100                      D \$1670
- 22 Which types of goods are most suited to air transport?
- A heavy and bulky goods
  - B heavy goods of low value
  - C light goods of high value
  - D light goods of low value

23 Which method of transport is shown in the diagram?



- A air cargo  
 B container ship  
 C freightliner  
 D tanker
- 24 Which document is used as evidence of a contract when goods are transported by sea?
- A advice note  
 B air way bill  
 C bill of lading  
 D delivery note
- 25 For each additional day that vegetables are kept in warehouses,
- A more profit is gained on the capital represented.  
 B the price of vegetables in the shops is increasing.  
 C the vegetables increase in value.  
 D warehousing costs are reduced.
- 26 Which of the following applies to **all** types of warehouse?
- A located on outskirts of large towns  
 B owned by wholesalers  
 C provides suitable storage for commodities  
 D situated near major roads

27 Mrs Smith owns a small general store.

Why does she have various insurance policies covering different aspects of the business?

- A to guard against risk
- B to help customers
- C to make a profit
- D to reduce prices

28 Which insurance policy covers a customer who is accidentally injured on business premises?

- A employer's liability
- B fidelity guarantee
- C personal accident
- D public liability

29 What does the principle of insurable interest state?

- A The insured cannot gain from a financial loss.
- B The insured must disclose all matters relating to the insurance contract.
- C The insured must suffer financial loss if the risk occurs.
- D The insured receives interest from the common pool.

30 Ahmed owns a factory. He obtained the following information about insuring his factory building with an insurance company.

Factory Buildings Insurance Annual Premium for every \$100 insured				
Area	1	2	3	4
	\$5	\$6	\$7	\$8

The factory, situated in Area 2, is valued at \$250 000.

What would be the annual cost to Ahmed of insuring the factory building for its full value?

- A \$12 500
- B \$15 000
- C \$17 500
- D \$20 000



- 31 What is an advantage of joining a trading bloc such as ASEAN or the EU?
- A free trade
  - B high tariffs
  - C political awareness
  - D speedy transport
- 32 What is the **most** likely difficulty to be found by an exporter trading with other countries?
- A advertising
  - B advice
  - C distance
  - D subsidies
- 33 Mr Patel, his brother and his cousin, wish to set up a new business venture offering accountancy services.
- Which business organisation should they form?
- A partnership
  - B public corporation
  - C public limited company
  - D sole trader
- 34 Which term describes an arrangement by one company to grant permission to another company to use its trademark when selling products?
- A franchise
  - B lease
  - C licence
  - D royalty
- 35 What is the meaning of the term 'limited liability'?
- A Shares are issued only to a certain total value.
  - B Shareholders are paid back only a certain percentage of their investment.
  - C Shareholders can buy only a certain sum of share capital.
  - D Shareholders can lose only the value of their investment.

- 36 A multinational is a business which
- A is owned by shareholders from many different countries.
  - B has at least ten branches in a country.
  - C has its head office in the same country as its branches.
  - D operates in several countries.

- 37 A company raises finance by issuing debentures.

The debenture holders are entitled to

- A interest after the shareholders have been paid.
  - B one vote per share.
  - C repayment before shareholders if the company goes into liquidation.
  - D variable dividend.
- 38 The table shows figures taken for the year 2004 from a trader's books.

	\$
gross profit	20 000
net profit	12 000
cost of goods sold	80 000
cost of average stock	10 000

What is the rate of turnover?

- A 2                      B 4                      C 8                      D 10
- 39 In which form of credit purchase do the goods **not** belong to the consumer until the last payment is made?
- A bank loan
  - B credit card
  - C credit sale
  - D hire purchase

- 40 Which development might help to protect the consumer when shopping for food?
- A increased use of bar coding
  - B persuasive advertising by manufacturers
  - C retailers' use of loss leaders
  - D 'sell by' dates on packaging

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