



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/11

Paper 1 Multiple Choice

October/November 2012

1 hour

Additional Materials: Multiple Choice Answer Sheet
Additional Materials Soft clean eraser
(**not** provided by CIE): Soft pencil (type B or HB is recommended)
Ruler
Protractor



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.

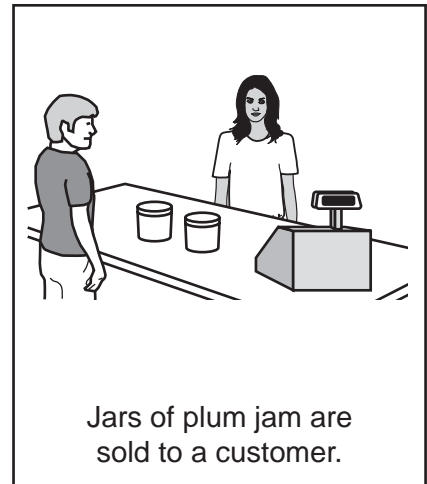
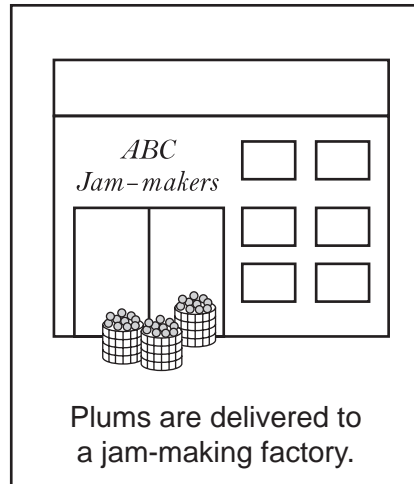
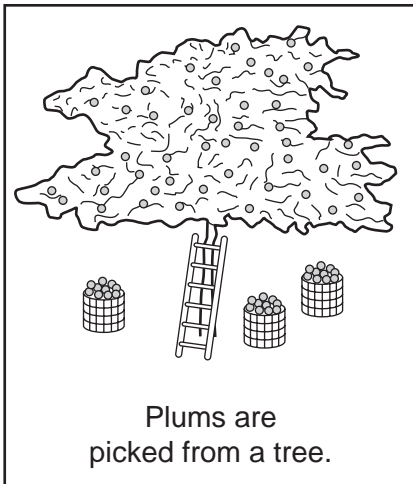
This document consists of **11** printed pages and **1** blank page.



1 Which term describes the manufacture of goods and the provision of services?

- A commerce
- B industry
- C production
- D trade

2 There are three stages in the chain of production.



A jar of plum jam weighing 0.5 kg is worth more to the customer than 0.5 kg of plums growing on a tree.

Which commercial term describes the reason for this?

- A added value
- B consumer satisfaction
- C imported goods
- D tertiary production

3 Which aid to trade helps to solve the problems that arise from the seasonal production of goods?

- A banking
- B communication
- C insurance
- D warehousing

- 4 Why are there more new businesses in retailing than in manufacturing?
- A Fewer skills are required to run a retail outlet.
 - B More capital is required to start retail trading.
 - C Retailers can obtain bank loans without collateral security.
 - D Retailers require larger premises than manufacturers.
- 5 Which retail shop would be classified as a specialty shop?
- A Apex General Store
 - B Bestbuy Supermarket
 - C Dazzle Jewellers
 - D Fisher's Department Store
- 6 What is an advantage to the retailer of selling using the Internet?
- A large profit margin
 - B less competition
 - C no need to design an advertisement
 - D wide potential market
- 7 What is meant by credit?
- A buying now, paying later
 - B buying now, paying less
 - C paying later, paying less
 - D paying now, having later
- 8 Why does a government introduce consumer protection laws?
- A Consumers need safeguarding from unscrupulous traders.
 - B Consumers want a bargain when buying a product.
 - C Retailers are assisted to trade legally.
 - D Retailers can make profits from consumers.

- 9 Seals of approval on manufactured goods mean that
- A they are cheaper than other goods.
 - B they have been advertised to persuade customers to buy.
 - C they have been tested for quality.
 - D they were made by a well-known company.
- 10 What is the main service provided by a wholesaler?
- A advice for consumers
 - B after-sales service
 - C breaking bulk
 - D mail order selling
- 11 Why is bread distributed as quickly as possible to retailers?
- A It has a short shelf-life.
 - B It is bulky.
 - C It is fragile.
 - D It is very cheap.
- 12 What is the function of a broker in international trade?
- A arranging insurance for goods
 - B bringing buyers and sellers together
 - C guaranteeing to sell all goods held
 - D warehousing goods awaiting sale
- 13 What is the document giving information in reply to a sales enquiry called?
- A advice note
 - B order
 - C quotation
 - D statement
- 14 A customer buys goods costing \$200 and is offered terms of '5 % 10 days'.
How much will the customer pay if he settles his bill two weeks after receipt of the invoice?
- A \$180 B \$190 C \$200 D \$210

15 If a toy costs \$2.40 and it is sold for \$3, what is its mark-up?

- A 20% B 25% C 80% D 400%

16 Which statement describes the entrepôt trade?

- A arranging trade between two countries
B importing duty-free goods
C importing goods which have been previously exported
D re-exporting goods that have been imported

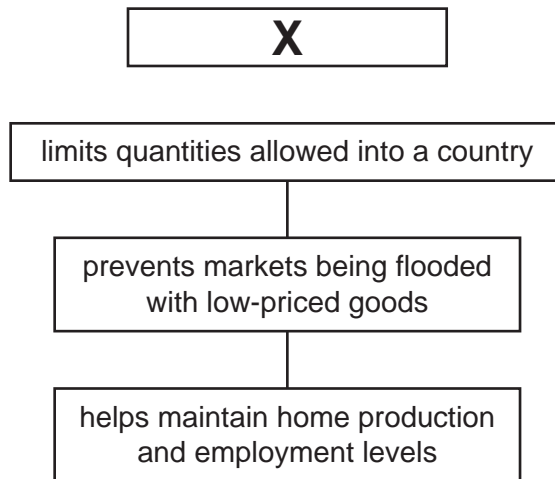
17 The picture shows a customer in a travel agency in the UK, booking a holiday to New York.



What kind of international trade is taking place in this picture?

- A invisible export
B invisible import
C visible export
D visible import

- 18 The diagram summarises the advantages to a country when a restriction is imposed on imported goods.



Which type of restriction is marked **X** in the diagram?

- A embargo
 - B excise duty
 - C import duty
 - D quota
- 19 What is the aim of most advertising?
- A to create employment
 - B to persuade customers to buy
 - C to provide consumer choice
 - D to reduce costs

20 The diagrams show advertising slogans.

Which slogan is an example of competitive advertising?

A

DD Ltd
the best in the area

B

Dazzle
your family with
your beautiful photos

C

Milk will help
your health and
wellbeing

D

Munch
has a smooth taste

21 What is the **main** reason for the growth of advertising on the Internet?

- A Advertisers' websites are very cheap to set up.
- B Consumers can order goods any time using the Internet.
- C Every household has access to the Internet.
- D Internet users like watching the advertisements.

22 Why are communications important in the global economy?

- A for speed of transmission
- B for using satellite links
- C to keep efficient records
- D to send email attachments

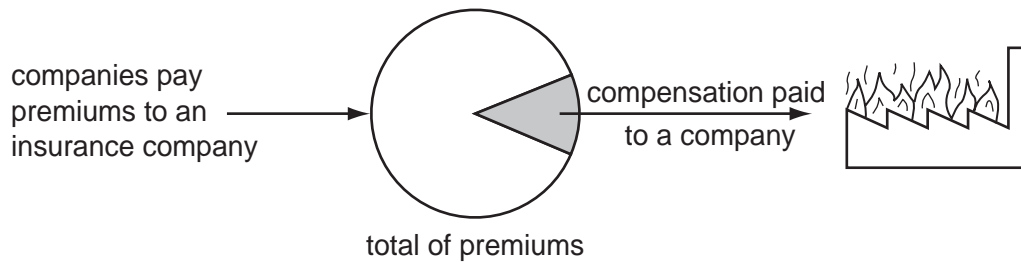
23 The ABC Company wishes to despatch five copies of a 40-page report to a customer who needs them urgently.

Which postal service should the company choose?

- A first class letter
- B parcel delivery
- C registered post
- D special delivery

- 24** Which large ships are specially designed to carry bulk liquids?
- A** cargo liners
 - B** container ships
 - C** ferries
 - D** tankers
- 25** What is an advantage of containerisation in sea transport?
- A** avoidance of customs duty
 - B** carriage of any type of product
 - C** fast turnaround of ships at ports
 - D** quick unpacking of goods at docks
- 26** Faster deliveries of goods are being made because of
- A** bigger trucks.
 - B** longer express road routes.
 - C** increased bulk loads.
 - D** more traffic lights.
- 27** What is required for the good running of a warehouse?
- A** cash and carry on all sales
 - B** efficient distribution of goods
 - C** refrigeration for all foods
 - D** manufacturing facilities for goods
- 28** A national supermarket chain buys its products directly from manufacturers and stores them in a warehouse before sending them to its retail outlets.
- Which type of warehouse would it use?
- A** bonded
 - B** cash and carry
 - C** discount
 - D** regional distribution

29 What aspect of insurance does the diagram show?



- A** arranging a policy
- B** assessing a risk
- C** insurable interest
- D** pooling of risks
- 30 Mrs Ndoro's insured car is written off after an accident. The insurance company compensates her fully for the loss of her car.

If the insurance company then takes over the damaged car, this illustrates the principle of

- A** contribution.
- B** proximate cause.
- C** subrogation.
- D** utmost good faith.
- 31 A fire has destroyed the insured house owned by Mr Maboto.
- What is the first thing he should do when making an insurance claim?
- A** complete a proposal form
- B** contact his insurance company
- C** hire an assessor
- D** refer to his cover note
- 32 Telebanking is a service provided by banks to customers who cannot visit their bank branches in person.


Which facility must be available to the customer in order to use the telebanking service?

- A** credit card account
- B** digital television
- C** Internet access
- D** Touch-Tone telephone

- 33 A customer has an agreed overdraft facility of \$200. She has received a bank statement showing the balance of the account to be \$120 overdrawn. The account was later credited \$50.

What is the new balance of her account?

- A \$170 overdrawn
 B \$70 overdrawn
 C \$170 credit
 D \$250 credit
- 34 This cheque is written by J Chang to pay for goods bought from Mujib Wholesalers.

	GLAMSHIRE BANK	Date 17 October 2012
Pay	<u>Mujib Wholesalers</u>	
The sum of	<u>Seven hundred and fifty</u>	\$ 750 —
	<u>dollars only</u>	<u>J Chang</u>
		J Chang for Eastern Retailers Ltd

Who is the payee for this cheque?

- A Eastern Retailers Ltd
 B Glamshire Bank
 C J Chang
 D Mujib Wholesalers
- 35 What is the best location for a steelworks?
- A close to a port
 B in a town centre
 C near to an airport
 D on an industrial estate
- 36 How does a public sector organisation differ from a private sector organisation?
- A directors control the organisation
 B it is government-owned
 C it sells shares to raise capital
 D shareholders are responsible for losses

37 A well-known bakery sells its products through a nationwide chain of franchises.

How does the franchisor benefit from this arrangement?

- A The franchised premises are regularly inspected.
- B The franchisor is responsible for managing the outlets.
- C The franchisor receives royalty payments from the franchisee.
- D The franchisor supplies training and marketing for the franchisee.

38 Which source of finance would be **most** suitable for a large company planning to modernise its manufacturing equipment?

- A bank loan
- B debt factoring
- C overdraft
- D trade credit

39 The rate of turnover for a retail business is 2.

Which product is the business most likely to be selling?

- A cakes
- B hamburgers
- C jewellery
- D petrol

40 A trader has the following results:

sales	\$800 000
cost of sales	\$650 000
expenses	\$90 000

What is the net profit?

- A \$60 000
- B \$150 000
- C \$540 000
- D \$710 000

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