UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

**COMMERCE** **7100/11**

Paper 1 Multiple Choice **May/June 2010**

**1 hour**

Additional Materials: Multiple Choice Answer Sheet

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

* 8 7 9 7 2 4 6 7 6 3 *

**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.



IB10 06_7100_11/3RP
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UNIVERSITY of CAMBRIDGE
International Examinations

**1** What are the three stages of production?

**A** importing, manufacturing and exporting

**B** manufacturing, wholesaling and retailing

**C** primary, secondary and tertiary

**D** selling, buying and distribution

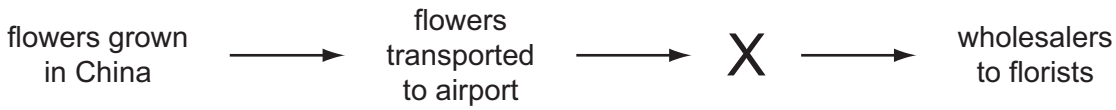
**2** The table shows the numbers employed in various occupations in a country.

| | 000 |
|---|---|
| agriculture | 1 000 |
| engineering | 4 000 |
| house building | 3 000 |
| mining | 600 |

What is the total number of workers employed in extractive industries?

**A** 1 600 000 **B** 3 000 000 **C** 4 000 000 **D** 7 000 000

**3** Which aid to trade is most likely to be used as X in the following diagram?




**A** advertising

**B** banking

**C** insurance

**D** warehousing

**4** What is the main function of a retailer?

**A** manufacturing goods for customers

**B** providing small quantities of goods to consumers

**C** selling goods in bulk to wholesalers

**D** supplying raw materials to manufacturers

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**5** Mrs Lee wishes to buy new clothes for the summer.

Which is an advantage to Mrs Lee of buying them from a multiple chain store rather than from a factory shop?

**A** car parking

**B** cheaper prices

**C** choice of brands

**D** free delivery

**6** The diagram shows a scanner reading a bar code.



Which details are obtained from the bar code?

**A** ingredients

**B** product stock number

**C** sell-by date

**D** storage conditions

**7** Using credit means that the customer

**A** always pays extra for the goods.

**B** gets goods repaired for nothing.

**C** obtains discount on goods.

**D** uses the goods but pays later.

**8** A customer wishes to buy a laptop computer on credit.

Which form of credit will ensure the laptop computer becomes the customer's property immediately?

**A** credit card

**B** credit transfer

**C** hire purchase

**D** leasing

**9** Customers who do not know their rights could be cheated by unscrupulous traders.

Therefore, both government legislation and government organisations provide

**A** competition among traders.

**B** consumer protection.

**C** financial assistance.

**D** free choice by the consumer.

**10** A law saying that goods should be fit for purpose would assist a customer when

**A** he became ill after a meal at a local hotel.

**B** he bought two kilos of apples and received one kilo.

**C** the heels fell off a pair of shoes bought last week.

**D** the local shop overcharged for a loaf of bread.

**11** What is the advantage to a manufacturer of using the channel of distribution shown?

**manufacturer → wholesaler → retailer → consumer**

**A** The goods reach the consumer quickly.

**B** The manufacturer's distribution costs are saved.

**C** The manufacturer must store the goods.

**D** The selling of goods is controlled by the manufacturer.

**12** Which service is provided by wholesalers to manufacturers?

**A** forecasting the likely changes in the market

**B** giving information on record-keeping

**C** operating a cash-and-carry facility

**D** providing a wide range of goods

**13** What is the function of a broker in international trade?

**A** bringing buyers and sellers together

**B** buying and selling shares for clients

**C** guaranteeing payment for goods

**D** warehousing the principal's goods awaiting sale

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**14** Which document shows a summary of transactions taking place between a trader and a customer during a month?

**A** advice note

**B** catalogue

**C** invoice

**D** statement of account

**15** What is the main purpose of a delivery note?

**A** to enable the customer to check that the goods received are correct

**B** to inform the customer that the goods have been sent

**C** to show the prices of goods delivered

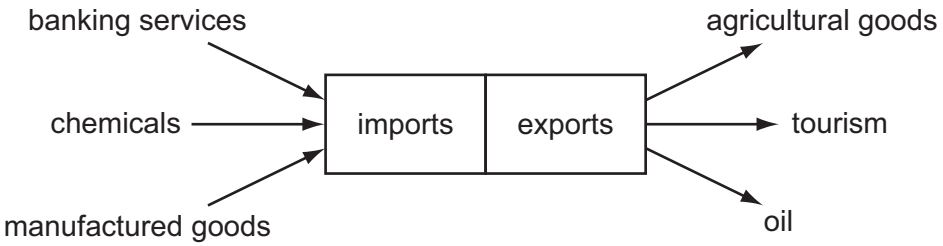
**D** to state the amount of money to be collected when goods are delivered

**16** A wholesaler buys coats from a manufacturer for $30 each. The wholesaler sells them to a retailer for $39 each. The retailer then sells them in her shop for $50 each.

What is the wholesaler's percentage mark-up?

**A** 22 %  **B** 23 %  **C** 30 %  **D** 40 %

**17** The diagram shows the imports and exports that make up a country's international trade.




What is the country's invisible trade?

**A** agricultural goods and manufactured goods

**B** banking services and tourism

**C** chemicals and oil

**D** manufactured goods and chemicals

**18** What is a 'trading bloc'?

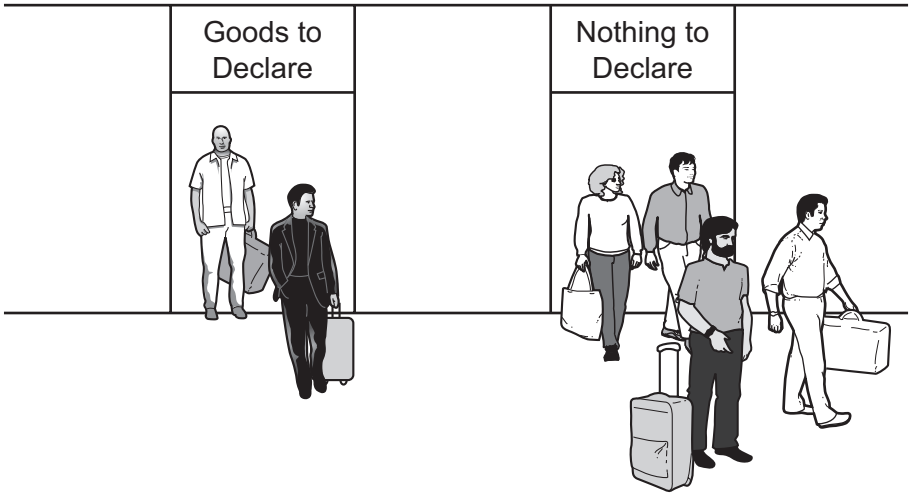
**A** a group of countries that have removed trade restrictions between themselves

**B** a group of trading nations that is geographically close

**C** a number of countries that have differing trading policies

**D** a number of countries that import and export similar goods

**19** The diagram shows people arriving in a country.




Which organisation is responsible for what is shown in the diagram?

**A** airport authority

**B** customs authority

**C** port authority

**D** post office

**20** Super Sportswear wishes to export its products. It must consider the following factors when researching potential markets for its sportswear.

**climatic conditions** **cultural requirements** **language differences**

Which other factor is most likely to influence its choice of potential markets?

**A** import regulations

**B** number of banks

**C** storage areas

**D** time differences

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**21** A government wants to issue a health warning to the nation.

Which method of advertising would **not** be suitable?

**A** articles in medical journals

**B** leaflets to every household

**C** posters in doctors' waiting rooms

**D** television advertisements

**22** The Advertising Manager for Salamar Products Ltd is considering how to advertise a new perfume for men. The members of staff have written down some suggestions.

Which suggestion is a method of appeal?

**A** employing door-to-door sales people

**B** offering discounts in sports shops

**C** placing posters on public transport

**D** using pictures of famous sportsmen

**23** Which service allows instant access to details of the latest profits of an international company?

**A** air mail

**B** fax

**C** Internet

**D** teleconferencing

**24** Which postal service is available at a post office counter?

**A** applying for a loan

**B** obtaining a postal order

**C** paying sales tax

**D** registering a parcel

**25** What name is given to a ship where vehicles may be driven on and driven off?

**A** bulk carrier

**B** cargo liner

**C** container ship

**D** roll-on roll-off ferry

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**26** Which service is provided to an air freight company by an airport authority?

**A** collection of customs duties

**B** duty free shopping

**C** hire of aircraft

**D** warehousing of goods

**27** The use of a wholesale warehouse in the chain of distribution

**A** enables direct selling from manufacturer to retailer.

**B** enables production to be ahead of demand.

**C** reduces the chain of distribution.

**D** reduces the cost of goods to consumers.

**28** A coffee importing business needs to store coffee before selling it.

What would be most useful to this business?

**A** bonded warehouse

**B** cash and carry warehouse

**C** free trade zone

**D** regional distribution centre

**29** Many people pay insurance premiums, so that the unfortunate who need to make claims can be paid.

What is this called?

**A** compensation

**B** contribution

**C** pooling of risks

**D** subrogation

**30** What is the role of an insurance broker?

**A** calculating insurance premiums

**B** collecting premiums regularly from the public

**C** providing a link between insurance companies and the public

**D** selling policies of one particular insurance company

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**31** A customer wishes to pay his debt of $500.

Which means of payment can he legally make his creditors accept?

**A** bills of exchange

**B** international money orders

**C** notes and coins

**D** specially crossed cheques

**32** What is a benefit of using the credit transfer service provided by commercial banks?

**A** All outstanding accounts are paid immediately.

**B** Regular monthly payments will not be forgotten.

**C** The current account will never be overdrawn.

**D** The customer is able to pay several accounts with one cheque.

**33** The diagram shows a partly completed bank statement.

**Bank Statement**

| | | Credit $ | Debit $ | Balance $ |
|---|---|---|---|---|
| May 1 | Balance b/f | | | 200 |
| May 6 | Cheque 456873 | | 50 | 150 |
| May 14 | Direct Debit | | 100 | 50 |
| May 16 | Salary | | | |

The amount of the salary paid into the account was $700.

Which is the correct entry for May 16?

**A** $700 would be entered in the Credit column and the balance would be $650.

**B** $700 would be entered in the Credit column and the balance would be $750.

**C** $700 would be entered in the Debit column and the balance would be $650 overdrawn.

**D** $700 would be entered in the Debit column and the balance would be $750 overdrawn.

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**34** Telephone banking is used by customers who do not wish to visit their bank in person.

Which service can customers receive through telephone banking?

**A** buying and selling shares

**B** confirming account balances

**C** organising insurance cover

**D** safeguarding legal documents

**35** Two friends wish to set up a business selling books on the Internet. They are looking for suitable premises.

Which factor will **most** influence their choice of location?

**A** good road communication

**B** large storage facilities

**C** nearness to customers

**D** nearness to suppliers

**36** How are the profits and losses in a partnership shared when there is no partnership deed?

**A** according to the purchases made by each partner

**B** equally amongst all the partners

**C** in proportion to the capital invested

**D** in relation to the hours worked by each partner

**37** A multinational manufacturer of fizzy drinks wants to locate a factory in a developing country.

The following headlines have recently appeared in the developing country's national newspapers.

Which headline suggests a possible advantage of multinational companies to developing countries?

**A** **New factory promises jobs for unemployed**

**B** **Pollution increased by fizzy drinks cans**

**C** **Research shows multinationals go where wages are lowest**

**D** **Survey shows four out of five children prefer fizzy drinks**

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**38** A factory owner needs to buy an expensive piece of machinery. He does not have the necessary $10 000 to purchase for cash.

How can the factory owner obtain the machinery without buying on credit?

**A** deferred payment

**B** hire purchase

**C** leasing

**D** overdraft

**39** A farmer applies to a commercial bank for a loan to buy a tractor.

What will a bank **not** take into consideration before agreeing to the loan?

**A** amount of cash in the farmer's current account

**B** collateral security offered by the farmer

**C** farmer's existing financial commitments

**D** rate of interest charged by other banks

**40** The balance sheet of a retailer shows the following.

| assets | $ | liabilities | $ |
|---|---|---|---|
| premises | 200 000 | capital | 310 000 |
| fixtures / fittings | 50 000 | bank overdraft | 50 000 |
| vehicles | 40 000 | creditors | 40 000 |
| stock | 20 000 | | |
| debtors | 10 000 | | |
| cash | 80 000 | | |
| | 400 000 | | 400 000 |

What is the working capital of the retailer?

**A** nil **B** $20 000 **C** $50 000 **D** $60 000

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