UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2011**

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

1203507690

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.

IB11 06_7100_12/FP
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UNIVERSITY of CAMBRIDGE
International Examinations

[Turn over

1 What is the part of production concerned with trade and aids to trade known as?

A commerce

B distribution

C exchange

D industry

2 The pictures show two occupations.



doctor



dentist

Which kinds of occupation are shown?

A commercial services

B customer services

C direct services

D retail services

3 What is the advantage of specialisation in a factory?

A greater craftsmanship

B increased use of machinery

C more workers required

D workers dependent on one another

4 Which of the following is an aid to trade?

A importing

B retailing

C transporting

D wholesaling

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5 After introducing self-service, a retailer is likely to increase his turnover as a result of

A decreased shop theft.

B fewer shop assistants.

C impulse buying.

D increased advertising.

6 What is an advantage of mail order shopping?

A Customers have personal contact with sellers.

B Customers save on travelling costs.

C Goods are sold at very low prices.

D Sellers' advertising costs are reduced.

7 What is a **disadvantage** to the retailer of granting consumer credit?

A competition from other retailers

B delay in receiving payment for goods

C increase in costs of storing stock

D requirement to replace faulty goods

8 Sonia Shar has entered into a hire purchase agreement to buy a television from a retail store over a 2-year period.

When will she become the legal owner of the television?

A after paying instalments for 1 year

B at the end of the 2-year instalment period

C when the store has installed the television in her house

D when the store receives her deposit

9 Consumers may be protected by

A banning advertising on television and radio.

B forming multinational companies.

C making complaints to the police.

D passing laws relating to trading standards.

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10 Four customers have bought perfume from a department store.

In which of these situations would the customer **not** be protected by consumer protection legislation?

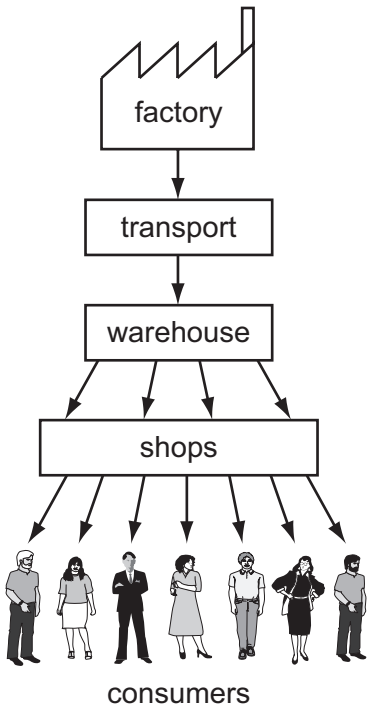
A The customer complained that the packaging of the perfume was damaged.

B The customer dropped the bottle of perfume just after she had paid for it.

C The customer found an insect inside the perfume bottle.

D The customer said that the perfume did not smell the same as her last bottle of the same perfume.

11 The diagram shows a commercial activity.



Which commercial activity is shown in the diagram?

A adding value

B distribution

C manufacturing

D wholesaling

12 The table shows the cost to the retailer of purchasing canned food from three different sources.

	cash and carry wholesaler	traditional wholesaler	manufacturer
cost of purchasing canned food	$60	$70 delivered	$75 delivered

Why is the cash and carry wholesaler able to quote the lowest price?

A goods are sold only to large-scale retailers

B no advertising costs are involved

C no delivery or credit is offered

D storage is not required

13 What is the name of an agent who buys and sells goods on a commission basis for another person?

A broker

B manufacturer

C retailer

D underwriter

14 What does a statement of account sent by a wholesaler to a retailer show?

A amount of money owed by the retailer to the wholesaler

B prices of goods delivered

C quantity of damaged goods returned to the wholesaler

D type and quality of goods delivered

15 A trader buys goods worth $4000 on credit and receives 20% trade discount and 10% cash discount.

How much is the trade discount?

A $400 **B** $800 **C** $3200 **D** $3600

16 Which problem is **not** specifically related to international trade?

A increased tariff barriers

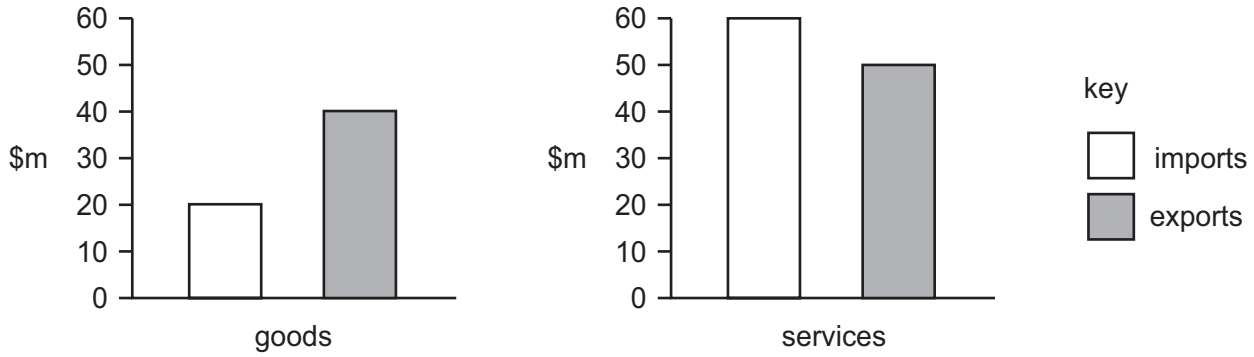
B lack of working capital

C language difficulties

D quotas

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17 The graph shows country Y's imports and exports.



What is country Y's Balance of Payments on its current account?

A –$10 m **B** +$10 m **C** +$20 m **D** +$110 m

18 What can a government do to protect home industries from foreign competition?

A collect statistics about foreign trade

B encourage the use of documentary credits

C increase import duties

D provide bonded warehouses

19 The diagram shows an advertising slogan.

Sunfruit - the sugary sweet with the best and smoothest taste

What type of advertising is shown?

A collective

B informative

C institutional

D persuasive

20 Which factor would **most** influence the choice of an advertising medium?

A brand name

B method of distribution

C size of packaging

D target customers

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21 Salamar Products Ltd has decided to use the Internet to sell its new aftershave for men.

Which reason influenced the company to make this decision?

A Consumers can place orders 24 hours a day.

B Everyone has access to the Internet.

C The company will be able to target local customers.

D The website is simple and cheap to set up.

22 What would companies trading in the global economy find **most** useful to know about?

A benefits of insurance through the pooling of risks

B exchange rates of different currencies

C survival of small retail shops across the world

D weather conditions in their own countries

23 Two groups of people are linked by telephone for a meeting.

What is this method of communication called?

A teleconference

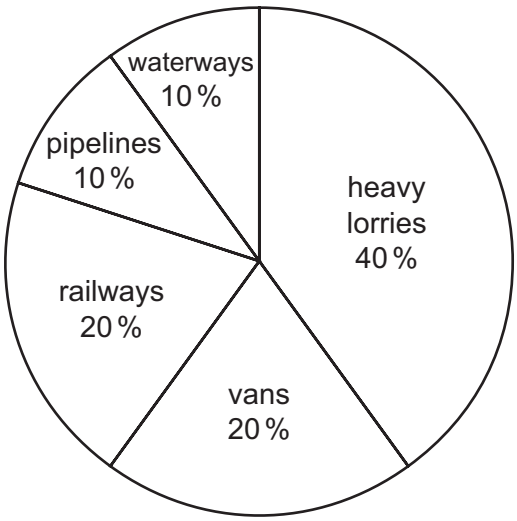
B teletext

C videoconference

D voicemail

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24 The diagram shows the total volume of freight moved within a country by various forms of transport.



total freight carried: 400 m tonnes

How much freight is moved using road transport?

A 60 m **B** 80 m **C** 160 m **D** 240 m

25 Which are the two most suitable forms of transport for carrying flowers from a farm in Kenya to a shop in Paris?

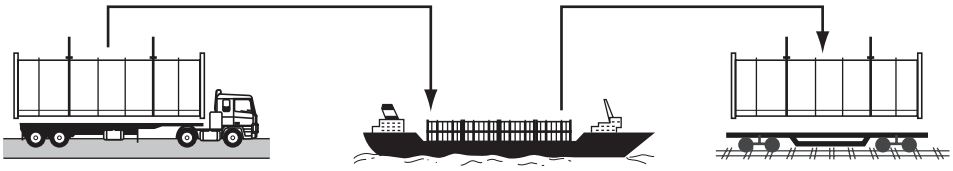
A air and rail

B rail and road

C road and air

D sea and road

26 The diagram shows a system for transporting goods.



Which transport system is shown?

A bulk carrier

B containerisation

C ferry

D tanker

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27 What happens for each extra day that goods are kept in a warehouse?

A Interest is lost on the capital invested in the goods.

B More interest is gained on the capital invested in the goods.

C More transport is needed for moving the goods.

D The warehousing bill for the goods is reduced.

28 What is the **main** advantage of buying goods from a cash and carry warehouse?

A competitive prices

B delivery of purchased goods

C short-term credit offered

D wide choice of items in large bulk

29 Mr Gabriel owns a clothing company.

Why should he insure his factory?

A to enable him to reduce his prices

B to give him more confidence to conduct his business

C to increase the value of his factory

D to prevent the factory catching fire

30 What does the insurance principle of indemnity mean?

A All relevant information about the risk must be disclosed.

B The event causing the loss must be within the terms of the policy.

C The insured must be restored to her former position.

D The insured must stand to lose when the event occurs.

31 What is an insurance proposal?

A claim for loss

B contract of insurance

C pool of money from which claims are paid

D request for insurance

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32 The bank credit transfer system allows firms to

A deposit money when banks are closed.

B obtain cash when banks are closed.

C pay several bills with one cheque for the total amount.

D raise loans to purchase equipment.

33 A bank will provide finance to an exporter of goods to cover the time between despatch of the goods and receipt of payment from the overseas customer.

What name is given to this service?

A bank draft

B bill of exchange

C credit card

D documentary credit

34 Why has the use of debit cards as means of payment increased in many countries?

A Immediate payment is made.

B Interest is charged on transactions.

C Payment may be postponed.

D Retailers refuse to accept cheques.

35 Which person is most likely to be employed in the public sector of a country?

A airline pilot

B banker

C shopkeeper

D teacher

36 Which statement explains why franchising is a popular way of starting a business?

A The franchisee can sell a popular branded product.

B The franchisee has complete control of the business.

C The franchisee may purchase supplies from anywhere.

D The franchisee pays royalties to the franchisor.

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37 A multinational is a company that

A has factories in one country.

B imports goods from abroad.

C is based in many countries.

D sells goods within its own country.

38 Mr Khan wishes to purchase a new car.

Which source of finance should he use?

A debenture

B leasing

C loan

D overdraft

39 A clothing retailer says that her rate of turnover is five.

What does this mean?

A The average stock held remains with the retailer for five weeks.

B The mark up is 5 % more than the cost of the clothes.

C The profits are 5 % of the capital invested.

D The retailer sells five times the average stock held each year.

40 JA's Deli has the following trading figures for the past year.

	$
sales revenue	175 000
cost of sales	140 000
rent	12 800
power	700
wages	4 500
other expenses	3 200

What is JA's net profit?

A $13 800 **B** $17 000 **C** $31 800 **D** $35 000

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