UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2012**

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

* 1 2 4 7 4 3 7 1 4 7 *

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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UNIVERSITY of CAMBRIDGE
International Examinations

[Turn over

1 People have a number of basic needs.

What do these needs include?

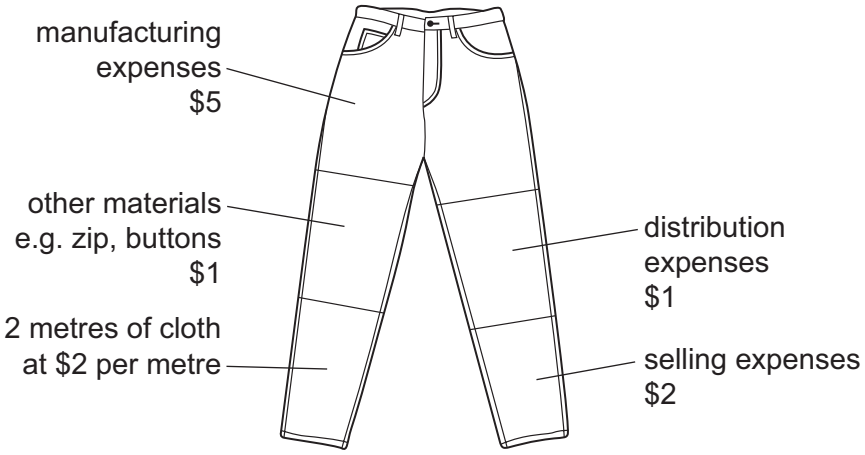
A entertainment and tourism

B food and water

C insurance and medical care

D transport and communication

2 The diagram shows the costs involved in making and selling a pair of jeans.



How much value is added to the two metres of cloth in **making** the pair of jeans?

A $6 **B** $8 **C** $9 **D** $13

3 Which production process makes trade between countries necessary?

A mechanisation

B simplification

C specialisation

D standardisation

4 Which aid to trade would be most useful to a sole trader who lacks capital?

A advertising

B banking

C insurance

D transport

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5 What is the chain of distribution for manufactured goods?

A consumer → retailer → wholesaler → manufacturer

B consumer → wholesaler → retailer → manufacturer

C manufacturer → wholesaler → consumer → retailer

D manufacturer → wholesaler → retailer → consumer

6 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

7 Loss leaders are products that are

A branded and packaged.

B ordered specially for customers.

C past their sell-by date.

D sold at or below cost price.

8 Which of the following would be expected to help the small-scale retailer to survive?

A buying goods in larger quantities

B charging higher prices

C employing more sales staff

D opening for longer hours

9 A small-scale shopkeeper allows customers she knows well to have goods and pay for them at the end of the week.

What is this called?

A budget account

B deferred payments

C hire purchase

D informal credit

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10 How does a consumer protect herself against unfair trading practices?

A Check goods and services before buying.

B Join a consumer association.

C Report unfair practices to the police.

D Send purchased goods to be tested for quality.

11 In which trade is the wholesaler most likely to be eliminated?

A blankets

B bread

C clothes

D meat

12 A general wholesaler acts as a middleman between the manufacturer and the retailer.

Which function carried out by the wholesaler benefits **both** the manufacturer and the retailer?

A clearing stocks to enable production to continue

B displaying goods ready for sale

C giving help and advice on the use of new products

D taking the risks of damaged and unsold goods

13 Which agent advises companies on the best means of moving goods?

A broker

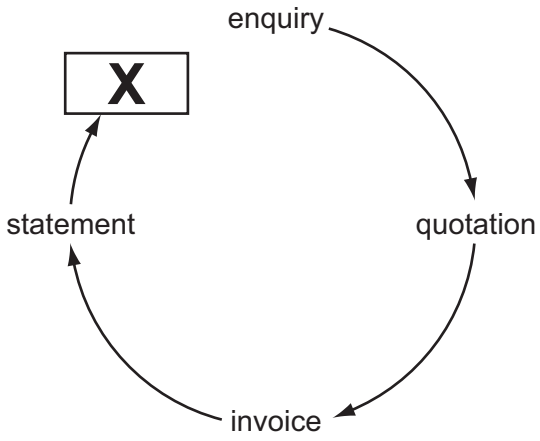
B del credere agent

C factor

D freight forwarder

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14 The diagram represents a business transaction.



What is the missing document **X**?

A advice note

B catalogue

C delivery note

D receipt

15 How should an overcharge on an invoice be corrected?

A alter the rate of cash discount

B change all the figures on the invoice

C issue a credit note

D reduce the rate of trade discount

16 If a child's toy has a cost price of $0.80 and it sells for $1, what is its mark-up?

A 20 % **B** 25 % **C** 125 % **D** 180 %

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[Turn over

17 The table shows trade figures for Country X.

	$ million
total exports of goods	2300
total imports of goods	1700
services provided by Country X to other countries	300
services provided to Country X by other countries	800

What is the balance on invisible trade?

A –$900 m **B** –$500 m **C** +$600 m **D** +$1400 m

18 Why does a country impose customs duties?

A to cover transport costs

B to increase imports

C to obtain revenue

D to reduce home consumption of goods

19 What is an advantage of forming a trading bloc?

A Imports to member countries will decrease.

B Infant industries within a country will not be protected.

C Prices in member countries will increase.

D Trading of goods between member countries will become easier.

20 Which of the following is a restriction on international trade?

A exchange control

B freeport

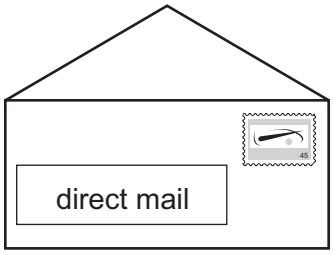
C letter of credit

D subsidy

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21 Which medium is likely to be **most** effective for advertising a pop singer's world tour?

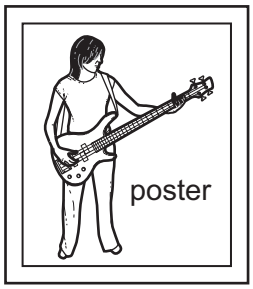
A



B



C



D



22 An advertising agency has been commissioned to produce an advertisement for a new skin cream.

Which method of appeal should be used in the advertisement?

A ambition

B bright colours

C good health

D humour

23 These headlines appeared in newspaper advertisements.







These headlines are examples of

A competitive advertising.

B display advertising.

C methods of appeal.

D sales promotion.

24 Communications play an important part in assisting trade within the global economy.

Which reason best explains the above statement?

A Communications support all commercial transactions within a country.

B Communications link traders in all parts of the world.

C Different currencies are required for overseas trade.

D Email can be used to communicate written messages.

25 What is meant by teleconferencing?

A many people in different places, linked by telephones

B people in the same place attending a conference

C people meeting together to watch a DVD

D several people in different places, linked by monitors and microphones

26 Which statement about the registered mail service is correct?

A A user's licence is required from the post office.

B Proof of posting and delivery is provided by the post office.

C Reply-paid envelopes are supplied by the post office.

D The sender does not have to pay postage.

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27 For which of the following would delivery by air transport be suitable?

A a bulk consignment of oil from the Middle East to Japan

B a large quantity of iron ore from Australia to Japan

C spare parts of a machine to be sent from London to Cape Town

D the daily delivery of perishable goods to a nearby town

28 What is an advantage of using containers for the transport of exported goods by road and sea?

A faster turnaround

B high insurance costs

C no export documentation

D non-payment of customs duties

29 Which function is the responsibility of a port authority?

A collection of customs duties

B control of the movement of prohibited goods

C provision of storage facilities

D recording the number of people passing through a port

30 Why should goods stored in a warehouse be removed as soon as possible?

A Buyers may not know about the goods.

B Capital is tied up.

C Prices will rise.

D Theft will be prevented.

31 A coffee merchant wishes to blend imported coffee, on which duty is payable, before re-exporting it.

This coffee would be described as being in

A bond.

B bulk.

C stock.

D transit.

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32 Why do businesses use insurance?

A to increase sales

B to make a profit

C to protect from risk

D to reduce competition

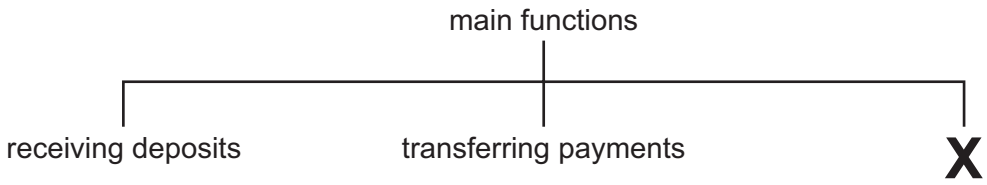
33 The owner of a factory holding stock worth $200 000 insures the stock for $150 000.

The premium is $50 per year. A fire causes $40 000 of damage and the average clause is applied.

How much would the owner receive?

A $30 000 **B** $40 000 **C** $50 000 **D** $150 000

34 The diagram shows the **main** functions of a bank.



What does **X** represent?

A lending money

B offering insurance advice

C providing business references

D safeguarding valuables

35 Which method of payment does a current account holder use to make regular payments of varying amounts at the request of the creditor?

A bank draft

B credit transfer

C direct debit

D standing order

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36 Which factor is most likely to influence a multinational clothing manufacturer in choosing a country for setting up a factory?

A how easy it is to learn local languages

B how large a government grant it is likely to receive

C how much competition there is from local businesses

D how near markets are for products

37 What is a **disadvantage** of a franchise to the franchisee?

A The franchisee may have a local monopoly in supplying the products or services.

B The franchisee may only sell products or services approved by the franchisor.

C The franchisee needs to obtain supplies from independent wholesalers.

D The franchisee will have to meet all the costs of advertising the product or service.

38 Which method of finance is used to finance long-term projects?

A cash

B debenture

C overdraft

D trade credit

39 A supermarket chain wishes to increase its sales of butter.

Which action would be best?

A buy a new display unit

B find a new supplier

C reduce the price of butter

D reduce the price of margarine

Question 40 is on the next page.

40 A business has the following financial figures.

	$
net sales	300 000
gross profit	100 000
opening stock	9 000
closing stock	11 000

What is the rate of turnover?

A 3 **B** 5 **C** 10 **D** 20

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