UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

**COMMERCE** **7100/12**

Paper 1 Multiple Choice **May/June 2013**

**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

* 9 9 3 5 2 4 8 3 4 5 *

**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.
DO **NOT** WRITE IN ANY BARCODES.

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.



IB13 06_7100_12/4RP
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UNIVERSITY of CAMBRIDGE
International Examinations

**1** What is an example of primary production?

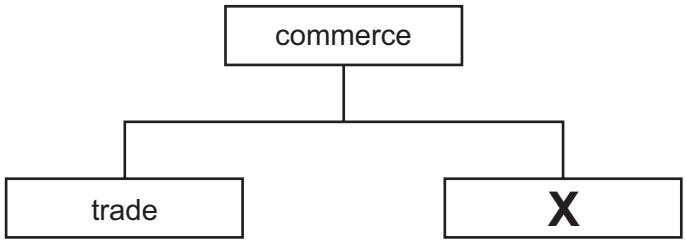
**A** a baker making bread

**B** a farmer planting a new orchard

**C** a nurse looking after children

**D** a shopkeeper opening a new store

**2**




Identify **X** in the diagram.

**A** aids to trade

**B** direct services

**C** foreign trade

**D** home trade

**3** How are commercial services and direct services inter-related?

**A** Buying and selling are examples of direct services.

**B** Commercial services depend on direct services.

**C** Direct services include advertising, accounting and medical services.

**D** Tertiary production consists of commerce and direct services.

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

**A** manufacturing goods for customers

**B** offering free parking to customers

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

**D** selling goods in bulk to consumers

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**5** Retailers sometimes issue loyalty cards to their customers.

How might customers benefit from loyalty cards?

**A** They can buy goods on special credit terms.

**B** They can choose from a wider range of goods than other shoppers.

**C** They can collect points which give them discounts on goods bought.

**D** They can use services like restaurants free of charge.

**6** What is the **main** disadvantage of e-commerce to the customer?

**A** danger of credit card fraud

**B** power failure during a transaction

**C** retailer running out of stock of the items ordered

**D** wrong goods supplied by the retailer

**7** Small-scale retailers survive competition from large-scale retailers by

**A** having access to credit finance.

**B** offering a personal service.

**C** providing a wide variety of goods.

**D** using expensive advertising.

**8** What is the **main** function of a finance house?

**A** cashing cheques

**B** managing debentures

**C** offering mortgages

**D** providing hire purchase

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**9** The document is a customer's copy of a bill for a credit card purchase.



**Krazy Days**

7, Star Shopping Centre, The City

- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

***Diamondcard***

xxxx xxxx xxxx 1234
Exp 10/14 start 10/10

Sally Lee

Sale
Cardholder copy
Please keep this receipt for your records

Amount: $35
verified by pin

- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

THANK YOU
15.15 28/03/2013
Auth Code: 000444

Who is the customer?

**A** 000444

**B** Diamondcard

**C** Krazy Days

**D** Sally Lee

**10** Why might a consumer protection organisation advertise?

**A** to improve consumer awareness

**B** to inform consumers of new products

**C** to persuade consumers to buy goods

**D** to remind consumers of existing products

**11** A retailer is **most** likely to use a wholesaler when

**A** bulk orders are required by the retailer.

**B** goods are large and fragile.

**C** goods need after-sales service.

**D** the retailer has a small-scale business.

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**12** Wholesalers link manufacturers and retailers by providing services.

Which group of wholesaling services are provided **only to retailers**?

**A** buying in bulk, storing goods, preparing goods for sale

**B** clearing production lines, displaying goods, warehousing

**C** giving trade discount, providing delivery services, breaking bulk

**D** providing market information, bearing risk, storing raw materials

**13** A small-scale manufacturer wants to export goods by sea.

Who should be contacted to arrange for the transportation of the goods?

**A** bonded warehouse manager

**B** customs officer

**C** forwarding agent

**D** port authority official

**14** What information would be found in a quotation?

**A** details of goods returned by a customer

**B** instructions to a carrier relating to the delivery of goods

**C** prices and terms under which the goods will be sold

**D** summary of a number of transactions

**15** Which commercial document would be used to adjust the charge when a customer returns faulty goods?

**A** advice note

**B** credit note

**C** enquiry

**D** receipt

**16** Which information is found on a statement of account, but **not** on an invoice?

**A** details of payments made

**B** names and addresses of buyers and sellers

**C** terms of payment

**D** value of goods bought

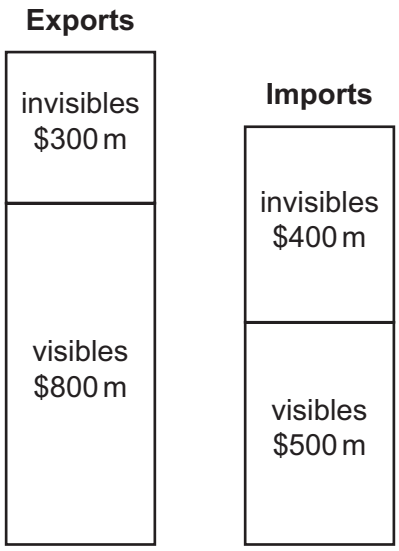
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**17** A trader buys goods worth $4000 and receives 20% trade discount and 10% cash discount.

How much is the cash discount?

**A** $320 **B** $400 **C** $1200 **D** $2880

**18** The chart shows the international trade carried out by a country.




What is the value of the Balance of Trade of this country?

**A** $100 m **B** $200 m **C** $300 m **D** $400 m

**19** What is the **main** advantage of a trading bloc?

**A** free trade between member countries

**B** guaranteed prices to producers

**C** increased revenue from customs duties

**D** more trade with non-member countries

**20** How can a country attract the imports of goods that it cannot produce itself?

**A** holding a trade fair

**B** increasing tariffs

**C** reducing customs duties

**D** using a quota system

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**21** What is the **main** benefit **to a retailer** of a successful advertising campaign?

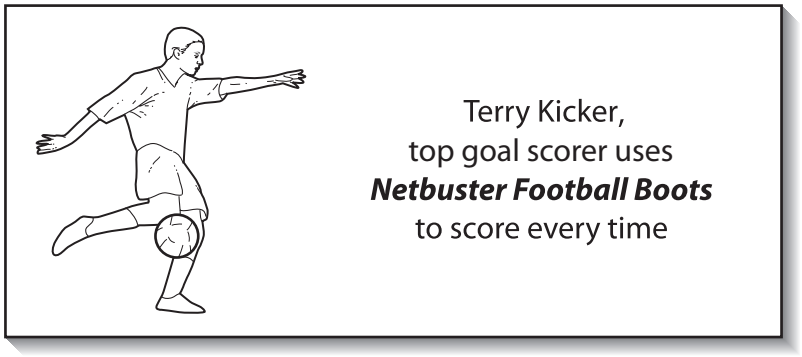
**A** improving the quality of goods

**B** knowing what goods are required

**C** selling more goods than before

**D** setting the price of goods

**22** This picture shows an advertisement for football boots.




Which method of appeal is shown in this advertisement?

**A** feminine appeal

**B** hero worship

**C** love of a bargain

**D** social acceptance

**23** How has modern technology made more rapid global communication available to businesses?

**A** It can be used 24 hours a day.

**B** It uses less paper for communication.

**C** Less people need to be employed to operate it.

**D** More people travel over long distances.

**24** Sonja's business employs people who travel all over the country selling hair and beauty products.

Which method of communication should she use to make daily contact with her sales employees?

**A** mobile phones

**B** poste restante

**C** sales meetings

**D** videoconferencing

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**25** What advantage does sea transport have over air transport?

**A** carries bulk loads

**B** faster turnaround of goods

**C** less risk of damaged goods

**D** quicker delivery

**26** What is an advantage of containerisation?

**A** all types of goods can be carried

**B** goods are unpacked at ports

**C** goods need not be inspected by customs

**D** increased speed of loading and off-loading

**27** How do low-cost airlines save money?

**A** allowing excess baggage on-board

**B** flying into main city airports

**C** providing onboard meals

**D** selling tickets online

**28** Which statement applies to an air waybill?

**A** It gives title to the goods.

**B** It is a contract.

**C** It is a negotiable instrument.

**D** It is made up of four copies.

**29** Which product would **not** normally be stored in a warehouse?

**A** butter

**B** coal

**C** maize

**D** soap

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**30** What is a feature of a cash and carry warehouse?

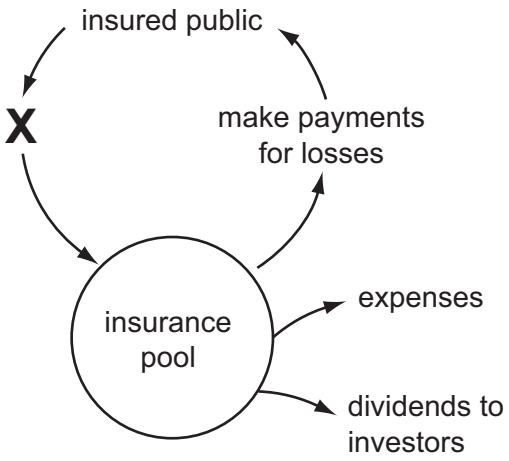
**A** all goods are refrigerated

**B** entry is limited to members

**C** goods are sold on credit

**D** location is close to an airport

**31** The diagram shows the pooling of risk.




Identify **X** in the diagram.

**A** invest funds

**B** make claims

**C** pay premiums

**D** receive policies

**32** Solomon Bernez has obtained the following information from four insurance companies about insuring the shops that he owns. One shop is in Area 1 and one shop is in Area 3.

| Buildings insurance ($)<br>Annual premium for every $10 000 insured | | | | |
|---|---|---|---|---|
| Insurance company | Area | | | |
| | 1 | 2 | 3 | 4 |
| Bead Insurance | $3 | $5 | $8 | $10 |
| Image Insurance | $4 | $5 | $6 | $8 |
| Modern Insurance | $5 | $6 | $7 | $8 |
| Orion Insurance | $6 | $7 | $8 | $9 |

Which insurance company will offer the cheapest insurance premium to insure both shops?

**A** Bead Insurance

**B** Image Insurance

**C** Modern Insurance

**D** Orion Insurance

**33** What is a function of a commercial bank?

**A** collecting import duties

**B** fixing exchange rates

**C** issuing bank notes

**D** providing loans and overdrafts

**34** A large company wants all customers to pay their monthly accounts in full on the due date.

Which method of payment would be most suitable for the company?

**A** cheque

**B** credit transfer

**C** debit card

**D** direct debit

**35** Alice has an overdraft facility on her current account.

At the beginning of a month Alice had an overdraft of $650. A cheque for $150 was debited to the account and a salary of $1480 was paid in.

What is the balance on the account?

**A** $1980 OD **B** $800 OD **C** $680 CR **D** $830 CR

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**36** Who owns a public limited company?

**A** board of directors

**B** employees

**C** managing director

**D** shareholders

**37** Which business organisation would be **most** suitable for a young person who wants to start a business where training and materials are provided?

**A** franchise

**B** partnership

**C** private limited company

**D** sole trader

**38** An overdraft is a suitable means of obtaining finance from a bank for

**A** building a large factory.

**B** buying stock.

**C** hiring expensive machinery.

**D** purchasing a house.

**39** A supermarket has decided to lease delivery vehicles rather than to buy them.

What is the **main** reason for doing this?

**A** The insurance costs of the delivery vehicles are reduced.

**B** The supermarket owns the delivery vehicles at the end of the lease.

**C** The vehicles can be returned to the leasing company at any time.

**D** Up-to-date vehicles are provided by the leasing company.

**40** During a month a retailer buys 1000 articles for $20 each. She sells all of them with a mark-up of 30%. Her expenses total $2000.

What is her turnover for the month?

**A** $18 000 **B** $20 000 **C** $24 000 **D** $26 000

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