Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2014**

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

* 5 8 2 3 6 0 4 4 8 6 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, 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.

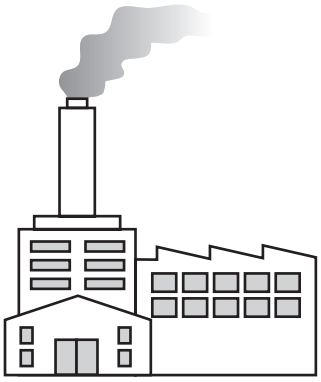
Read the instructions on the Answer Sheet very carefully.

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.

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1 The diagram shows an industrial building.



For what is this building most suitable?

A manufacturing goods from raw materials

B protecting goods from theft and damage

C selling products to customers

D storing dutiable goods

2 Deep Velvet is a luxury chocolate brand.

In what way does the **manufacturer** of Deep Velvet add value to the chocolates?

A advertising the chocolates for sale

B displaying the chocolates at point of sale

C investing in machinery to produce the chocolates

D making quality chocolates and packaging them

3 Why do some retailers buy directly from manufacturers?

A Many retailers want to buy in small quantities.

B Retailers may require urgent deliveries.

C Some retailers may need regular local supplies.

D These retailers have their own warehouses.

4 How might customers benefit from loyalty cards provided by retailers?

A Bonus points can be collected to exchange later for goods.

B Customers can make payments in monthly instalments.

C They are accepted in more than one type of store.

D They provide purchasing information for retailers.

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5 The picture shows part of the packaging of a product.



What is shown in the picture?

A barcode

B brand

C guarantee

D receipt

6 Ahmed has seen an advertisement for a computer. It includes the words 'credit terms available'.

Which statement explains why he is interested in buying the computer shown in the advertisement?

A Cash vouchers will be offered to him.

B His money will be refunded if he finds he cannot use the computer.

C Payment for the computer can be spread over time.

D The price will be reduced if he pays cash when he buys the computer.

7 Mrs Khan has a credit card. Her statement for April is shown below.

		$
1 April	opening balance	500
12 April	purchase	120
20 April	payment	250
30 April	interest charge	40

What is the opening balance on 1 May?

A $290 **B** $370 **C** $410 **D** $910

8 A shopkeeper must exchange goods when

A a shopper does not want the goods after they have been paid for.

B a shopper prefers another item after the goods have been paid for.

C goods are deliberately damaged just after they have been bought.

D goods have faults but are supposed to be in perfect condition.

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9 The wholesaler is **not** likely to be needed in the distribution of

A books.

B bread.

C canned foods.

D clothing.

10 Which service is provided by wholesalers to manufacturers?

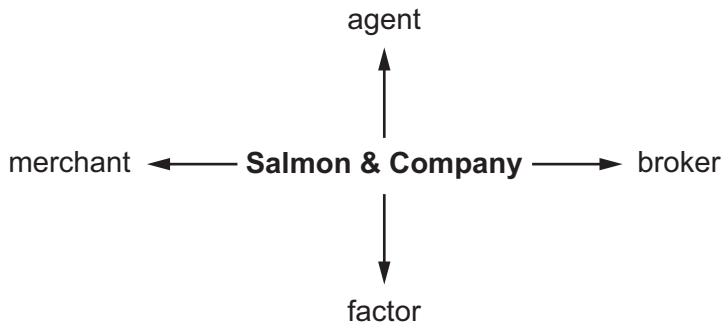
A forecasting the likely changes in the market

B giving information on record-keeping

C operating a cash and carry facility

D providing a wide range of goods

11 The diagram shows four different intermediaries a manufacturer, Salmon & Company, could use to export its products.



Which activity applies **only** to a merchant when preparing to export Salmon & Company's products?

A arranging necessary transport to carry products to other countries

B buying the products before selling them for profit

C finding and dealing with creditworthy buyers in other countries

D providing suitable warehousing while the products await export

12 What is the function of a Customs Authority?

A collecting statistical information on imports and exports

B deciding on changes in the rates of customs duties to be charged

C maintaining port and airport facilities

D providing warehousing for seasonal goods

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13 Which document is widely used between buyers and sellers in home trade?

A bank statement

B bill of lading

C delivery note

D proposal form

14 Which document is used to request payment from customers who buy on credit?

A advice note

B credit note

C quotation

D statement of account

15 A wholesaler has the following rates of trade discount.

	%
0-500 units	20
501-1000 units	25
1001-1500 units	30

A retailer secures a reduction of $3.75 from an article's list price of $15.

What was the size of the order?

A 450 units

B 800 units

C 1200 units

D 2000 units

16 A school's monthly statement from a bookseller received on 7th May shows that it owes $800. The cash discount terms are 5% two weeks, 2.5% one month. The account is settled on 28th May.

How much cash discount is given?

A $20 **B** $40 **C** $760 **D** $780

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17 Why might a company benefit from international trade?

A It can charge import duties on foreign goods and services.

B It can expand its trade in the home market.

C It can export goods and services into a larger market.

D It can increase the country's Balance of Payments.

18 Why does a trader exporting goods to another country have more difficulties than a trader selling in the home market?

A Countries are becoming less dependent on one another.

B Excise duties have to be paid on goods leaving the country.

C Quotas on goods may be imposed by the importing country.

D The goods need to be stored for six months before sale.

19 Why might advertising lead to lower prices?

A Advertising costs are deducted from product prices.

B Competition with other manufacturers might be reduced.

C Costs of advertising are lower than production costs.

D Increased sales can reduce unit costs of production.

20 The diagram shows an advertisement.

GOVERNMENT HEALTH DEPARTMENT
KEEP HEALTHY BY EATING FRUIT DAILY



These contain vitamins, minerals and are low in calories.

Which type of advertising is shown in the advertisement?

A collective

B competitive

C informative

D persuasive

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21 What is the most appropriate form of advertising for a small shop?

A cinema

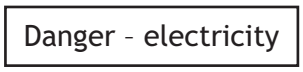
B flyer

C national radio

D television

22 Which of the following is an example of sales promotion?

A 

B 

C 

D 

23 Which telecommunications method allows users to access information world-wide?

A Internet

B intranet

C videoconferencing

D voicemail

24 A customer in Pakistan wishes to inform his UK supplier immediately that a recent delivery was not up to the quality expected.

What would be the most appropriate method of communication?

A email

B pager

C surface mail

D teleconferencing

25 Which postal service would a large retail outlet use to send monthly statements to its customers?

A business reply service

B express post

C letter post

D registered post

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26 5000 copies of a best-selling book have been reprinted and need to be taken urgently from Singapore to New York.

What is the most suitable method of transport the publisher could use?

A container ship

B freight forwarder's cargo plane

C goods train

D low-cost airline

27 Which factor might limit the growth of air transport?

A demand for lighter goods

B fear of global warming

C risk of terrorist attack

D speed of journey

28 For each additional day that vegetables are kept in warehouses,

A costs of warehousing are reduced.

B more profit is gained on the capital employed.

C the risk of wastage increases.

D the vegetables increase in value.

29 Which statement about a bonded warehouse is correct?

A Goods can be manufactured while they are in the bonded warehouse.

B Imported goods are stored in the bonded warehouse until their duty is paid.

C Imported goods on which duty has been paid are stored in the bonded warehouse.

D Seasonal goods are stored in the bonded warehouse until they are demanded.

30 What is the contract between the insurance company and the insured called?

A the policy

B the proposal

C the prospectus

D the quotation

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31 Four people work in the insurance industry.

Which person would be working as an insurance broker?

A



I assess the policies of several companies and advise my clients on the best for their needs.

B



I decide whether or not my company should accept the risk given on the proposal form.

C



I inspect goods and properties after a claim to see if the claim is valid.

D



I work for Starlight Insurance. I sell their policies and I am paid a salary.

32 When a claim is agreed by an insurance company, the insured usually pays the first portion of what is due.

Which term is used for such a payment?

A compensation

B excess

C premium

D subrogation

33 Internet banking is widely used because customers can

A carry out transactions without any danger of fraud.

B obtain cash through the Internet.

C pay in cash and cheques.

D use banking services at any time.

34 What is an advantage of a bank current account?

A A high interest rate is earned on money deposited.

B A minimum amount must be kept in the account.

C An overdraft may be possible.

D It is a means of long-term saving.

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35 A letter of credit ensures that goods involved in international trade have had

A customs duties paid.

B insurance arranged.

C payment guaranteed.

D their quality checked.

36 A bank statement for Miss Chang is shown below. Part of the entry for 13th May is missing.

Bank of Asia Statement for Miss Chang				
		Paid in	Paid out	Balance
1st May	Balance			$560
7th May	Cheque	$300		$860
9th May	DD		$180	$680
13th May	Cheque			$70 O/D
15th May	Cheque	$130		$60
27th May	Cash	$250		$310

What is the correct entry for 13th May?

A $610 paid in

B $610 paid out

C $750 paid in

D $750 paid out

37 Which of the four organisations is in the public sector?

A

Global Enterprises
Insurance Division

B

Government Broadcasting
Services

C

Super Metropolitan
International Finance Division

D

Wizard Worldwide Production
Advertising Department

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38 A public limited company may raise more capital by

A arranging for a bank overdraft.

B delaying payment of bills.

C getting a short term loan from the bank.

D issuing ordinary shares.

39 For which purpose would a bank manager offer a loan rather than an overdraft to a small-scale retailer?

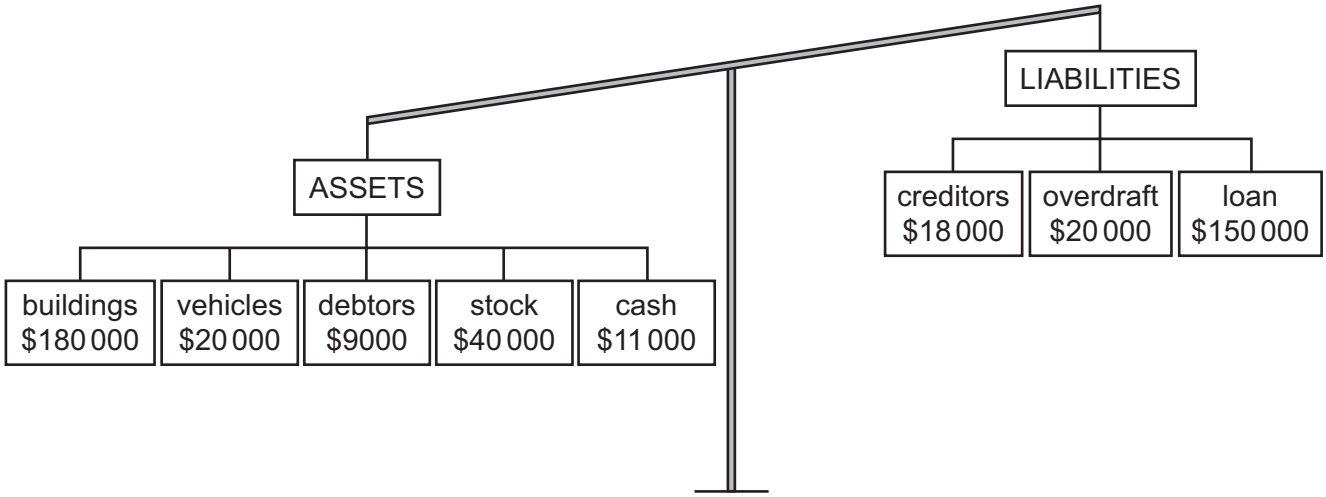
A buying stock which a wholesaler is offering at a bargain price

B leasing two new delivery vans for the business

C paying for some advertising leaflets

D purchasing larger premises nearer to the city centre

40 The diagram shows a company's assets and liabilities.



What is the company's working capital?

A $2000 **B** $7000 **C** $9000 **D** $22 000

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