Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2016**

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

* 7 5 2 5 7 4 2 2 2 5 *

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.

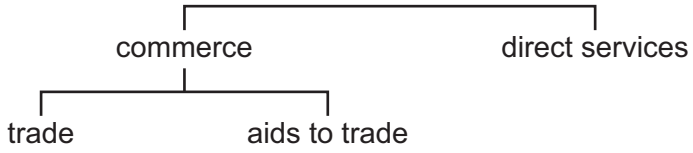
Read the instructions on the Answer Sheet very carefully.

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.

IB16 06_7100_12/4RP
© UCLES 2016

1 Which sector of production is shown in the diagram?



A manufacturing

B primary

C secondary

D tertiary

2 When making a suit, value is added by

A advertising on television.

B designing the suit.

C displaying the suit.

D viewing the suits of competitors.

3 Which action is **not** an example of trade?

A buying goods from another company

B exchanging goods to make a profit

C selling products for money

D storing goods awaiting sale

© UCLES 2016

4 The table shows how a country's labour force is distributed between various industries.

industry	% of labour force
agriculture	8
manufacturing	20
direct services	20
construction	9
mining	3
processing	17
commerce	23

Which sector of the country's economy employs the **most** people?

A exhaustive

B primary

C secondary

D tertiary

5 Why are there more new businesses in retailing than in manufacturing?

A Fewer skills are required to run a retail outlet.

B More capital is required to start retail trading.

C Retailers can obtain bank loans without collateral security.

D Retailers require larger premises than manufacturers.

6 Which retail outlet is usually in a city centre and offers a wide range of goods in luxury surroundings?

A department store

B speciality store

C supermarket

D unit shop

7 To which type of consumer is internet shopping **most** likely to appeal?

A consumers who are buying goods which usually require after-sales service

B older people who prefer personal service

C people who do not have credit cards

D working parents with little time to go shopping

8 A retailer who allows informal credit would usually expect payment

A at the end of the week.

B immediately.

C in a year's time.

D when the customer has the money.

9 Susan buys a jacket using a credit sales agreement. The cash price is $290.

Susan pays $50 deposit and the rest of the debt, on which 10% interest is charged, in 12 equal monthly instalments.

What will be the total credit sales price?

A $266 **B** $290 **C** $314 **D** $340

10 A customer buys an expensive picture frame but finds it is too small for her requirements.

What is the best way to get back her money?

A Ask the local consumer protection association to obtain a refund for her.

B Return the picture frame to the shop and ask for a refund.

C Telephone the retailer and say that the picture frame is not fit for purpose.

D Write a letter to the manufacturer of the picture frame.

11 To prevent a decline in their trade, traditional wholesalers have set up

A bonded warehouses.

B cash and carry warehouses.

C hypermarkets.

D multiple chains.

© UCLES 2016

12 The following advertisement recently appeared on the Internet.

Globalsphere			
freight forwarders you can trust			
X			
packing	containerisation	insurance	customs clearance

What is **X** likely to stand for?

A advertising your products worldwide

B finding buyers for your products

C providing you with trade credit until we sell your products

D transporting your products safely to your customers

13 In which order are the following home trade documents used?

	first →			last
A	enquiry	order	invoice	statement
B	enquiry	order	statement	invoice
C	order	enquiry	invoice	statement
D	statement	invoice	enquiry	order

14 Why does a manufacturer obtain quotations from more than one supplier?

A to assist the checking of the manufacturer's accounts

B to check deliveries of goods from suppliers

C to compare suppliers' prices

D to find out how much the manufacturer owes suppliers

© UCLES 2016

15 Below is part of an invoice sent to a retailer by a wholesaler.

INVOICE	
100 pairs ladies shoes at $30 per pair	$3000
500 pairs socks at $2 per pair	$1000
Less 20% Trade Discount	$800
Total	$3200
Cash Discount 2% if paid within 30 days	$64

What is the largest payment the retailer will have to make when paying this invoice?

A $800 **B** $3136 **C** $3200 **D** $4000

16 Mr Futkov sells cameras. He bought a camera for $165 and sold it for $231.

What is his percentage mark-up?

A 0.4% **B** 28.57% **C** 40.0% **D** 66.0%

17 Why are imports important to a country?

A A greater variety of goods are made available.

B More money is brought into the country.

C The Balance of Trade is improved.

D The imports compete with local industries.

18 Members of a free trade area must agree to

A end all barriers to trade between themselves.

B set the same tariff on goods imported from non-members.

C trade only amongst themselves.

D use a common currency.

© UCLES 2016

19 Which problem is faced by a firm selling imported goods rather than selling goods made by a local producer?

A Costs are always higher for imported goods.

B Imported goods may be of better quality than locally produced goods.

C Less documentation is involved between the importer and the buyer.

D The imported goods may have to be paid for in a foreign currency.

20 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

21 An advertisement for hair oil is shown.



Which method of appeal is shown in this advertisement?

A ambition

B cleanliness and hygiene

C romance

D social acceptance

22 What is a personal online diary called?

A blog

B pop-up

C tablet

D webcam

23 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.

24 Which mode of transport is the **most** flexible for the delivery of goods to a factory?

A air freight

B cargo ship

C goods train

D truck

25 A company mining diamonds in South Africa uses air transport to carry the diamonds to Sydney, Australia.

The decision to use air transport in this case is influenced by the fact that

A aeroplanes carry heavy goods.

B diamonds are valuable enough to afford the freight charge.

C diamonds require a lot of packaging.

D no insurance charges are made for carrying diamonds.

26 How might the construction of new roads to avoid town centres affect the efficiency of road transport?

A It controls the over-speeding of cars and vans.

B It increases the carrying capacity of delivery vehicles.

C It lengthens the journey time of trucks.

D It reduces delays and traffic congestion.

27 Which service is offered to passengers at an airport?

A currency exchange

B maintenance services

C refuelling

D warehousing

© UCLES 2016

28 Which of the following is **not** a function of warehousing?

A assisting the supply of goods

B preventing damage by fire

C protecting goods from deterioration

D reducing price fluctuations

29 When **must** goods be stored in a **bonded** warehouse?

A when bottling or blending is required

B when customs duty is unpaid

C when packaging is required

D when the goods are frozen

30 Which type of personal insurance policy has a surrender value if the policyholder decides to stop paying the premiums?

A endowment

B mortgage protection

C motor

D personal accident

31 An insured car is badly damaged in a road accident. After full compensation is made, the insurance company sells the car and keeps the money.

Which insurance principle explains this action?

A contribution

B insurable interest

C proximate cause

D subrogation

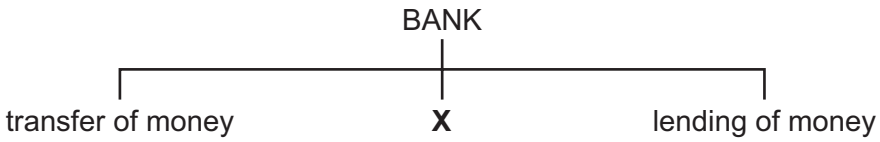
32 Mrs Udawatte owns a house which has a market value of $400 000. To save on the price of the premium, she insured the property for $300 000. A fire destroys 25% of her property.

How much will the insurance company pay for her claim?

A $75 000 **B** $100 000 **C** $300 000 **D** $400 000

© UCLES 2016

33 The diagram shows the main functions of a commercial bank.



What is **X**?

A buying and selling shares

B receiving deposits

C safeguarding documents

D selling insurance products

34 Which method of payment would a company use to pay dividends directly into the bank accounts of its 2000 shareholders?

A bank draft

B banker's order

C credit transfer

D direct debit

35 Mrs Kadye owns a wholesaling business supplying many retailers. She has warehouses in several parts of the country.

Which will be the **most** important factor she should consider when siting a new warehouse?

A availability of raw materials

B good road links to retailers

C nearness to manufacturers

D size of the local market

36 The Wheel Specialist is a franchise that restores alloy car wheels.

Which statement about franchising is correct?

A The franchise company covers the costs of starting and operating the business.

B The franchise company employs all the staff working for the franchisee.

C The franchisee chooses the name such as The Wheel Specialist.

D The franchisee pays royalties based on revenues to the franchise company.

© UCLES 2016

37 What are multinational companies?

A international businesses set up as public limited companies

B non-profit making organisations

C organisations in the public sector of the economy

D state-owned businesses

38 A company sells its debts to a third party for immediate cash.

What is this method of raising finance called?

A factoring

B hire purchase

C leasing

D trade credit

39 During a month a retailer buys 1000 articles for $10 each and sells them all with a mark-up of 40%. His expenses total $500.

What is his sales turnover for the month?

A $10 000 **B** $13 500 **C** $14 000 **D** $14 500

40 The rate of turnover for a retail business is 2.

Which product is the business **most** likely to be selling?

A cakes

B hamburgers

C jewellery

D petrol

© UCLES 2016

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.