Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/13**

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

8908973811

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.

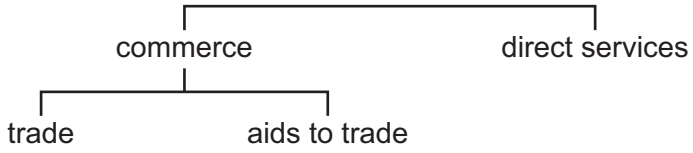
Read the instructions on the Answer Sheet very carefully.

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_13/3RP
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1 Which sector of production is shown in the diagram?



A manufacturing

B primary

C secondary

D tertiary

2 Which are all aids to trade?

A advertising, banking, retailing

B banking, communications, transport

C manufacturing, warehousing, retailing

D warehousing, insurance, wholesaling

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

A Fewer skills are required to run a retail outlet.

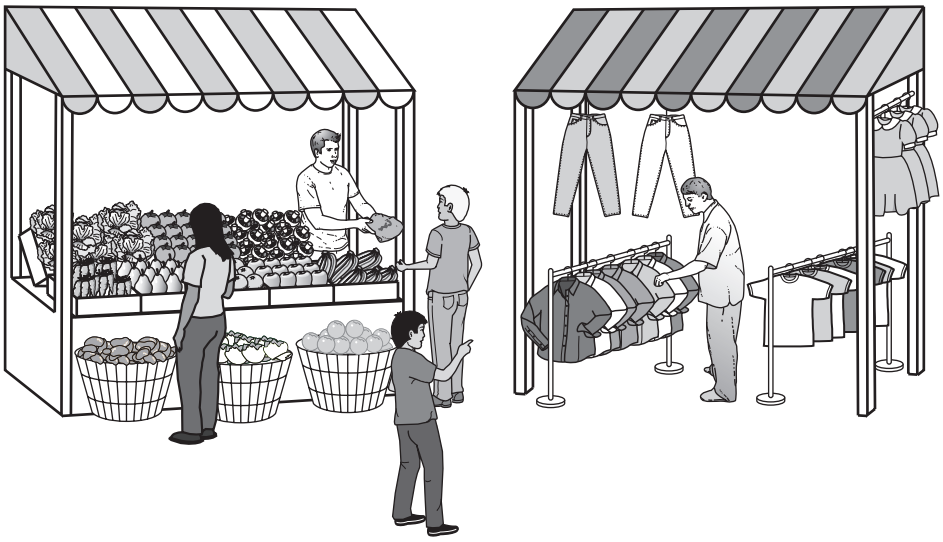
B More capital is required to start retail trading.

C Retailers can obtain bank loans without collateral security.

D Retailers require larger premises than manufacturers.

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4 Which type of retailer is shown in the picture?



A mobile shop

B multiple chain store

C self-service store

D street market

5 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

6 Why has online retailing expanded in recent years?

A A high level of customer service is provided.

B Consumers receive spam messages from online retailers.

C Many different methods of payment are available.

D Shoppers can buy goods and services at any time.

7 What is a disadvantage to the buyer of buying a television on credit?

A A credit check will be made by the seller.

B Interest may be charged by the seller.

C Payment is postponed until a later date.

D There is no need to carry a large amount of cash when buying.

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 Mr Ansari has returned to a shop to request his money back for a shirt which he bought recently.

Under which circumstance would the shop have to give him a refund?

A He dislikes the design of the shirt.

B He needs the money he has spent on the shirt to pay a bill.

C The shirt does not match his tie.

D The shirt is not the same colour as shown on the box.

11 As part of a sales of goods act, the goods sold must

A be fit for the purpose for which they were made.

B be inspected by the buyer before delivery.

C be offered in standard measures.

D be sold with a guarantee.

12 Which channel of distribution would be **most** suitable for sending canned fruit from producers in South Africa to consumers in England?

A producer → agent → consumer

B producer → agent → retailer → consumer

C producer → agent → wholesaler → retailer → consumer

D producer → consumer

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13 Which are all services of a freight forwarder?

A arranges insurance, negotiates contracts, makes payment for goods

B arranges shipment, organises customs clearance, makes payment for goods

C delivers goods, provides storage, negotiates import duty payments

D manages documentation, arranges transport, organises customs clearance

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

15 The diagram shows part of a statement sent by a wholesaler to a retailer.

STATEMENT

month ending 30 April 2016

date	details	debit	credit	balance
March 1	balance brought forward			1000
March 9	invoice 1121	2000		3000
March 23	invoice 1823	1000		4000
	20% trade discount			4800

Why is this statement **incorrect**?

A The balance owed after invoice 1823 is $4000.

B The invoices should be in the credit column.

C The trade discount allowed is $800.

D The trade discount is added to the amount owed.

16 How much would a buyer pay when given a cash discount of 5% on an item originally priced at $1200?

A $60 **B** $1140 **C** $1195 **D** $1200

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 A country has a Balance of Payments surplus on its current account.

What does this mean?

A The total value of its exports exceeds the total value of its imports.

B The total value of its imports exceeds the total value of its exports.

C The total value of its invisibles exceeds the total value of its visibles.

D The total value of its visibles exceeds the total value of its invisibles.

19 What is a function of a customs authority?

A to collect duties charged on imported goods

B to decide on the level of duties paid on imported goods

C to organise the packing of goods in bonded warehouses

D to provide unloading facilities for goods at ports and airports

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

A improving the quality of goods

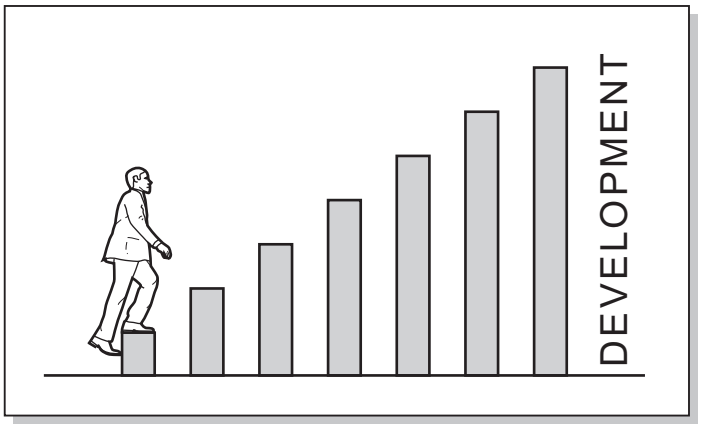
B knowing what goods are required

C selling more goods than before

D setting the price of goods

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21 The diagram shows an advertising method of appeal.



Which advertising method of appeal is shown?

A affluence

B ambition

C durability

D masculine appeal

22 Which method of communication would an export company in Brunei use to make urgent contact with its Singapore agent?

A e-mail

B express mail

C poste restante

D telephone

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 Why is sea transport used widely for the carriage of goods?

A Insurance charges are low.

B Little packaging is required.

C Low value cargo can bear the transport charges.

D Theft and damage are prevented by containerisation.

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25 Which document must be completed before goods can be exported by sea?

A bill of exchange

B bill of lading

C consignment note

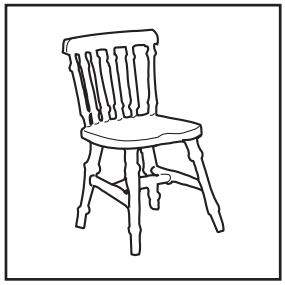
D delivery note

26 Which product **must** be kept in a cold storage warehouse?

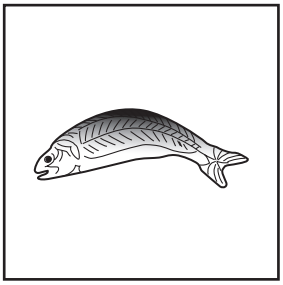
A



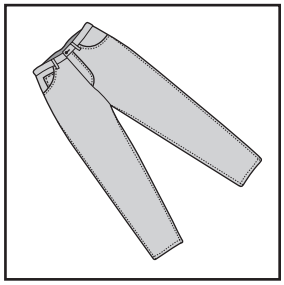
B



C



D



27 What is the **most** important factor to consider when designing a warehouse?

A amount of floor area for storage

B car parking around the warehouse

C services provided for customers

D shelving and display

28 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

29 Which insurance document is a contract between the insured and the insurance company?

A certificate of insurance

B claim form

C policy

D proposal form

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30 Mr Muti, a retailer, insured his shop's contents, worth $80 000, for only $40 000. A month later contents, valued at $50 000, were destroyed by fire.

How much would Mr Muti receive in compensation?

A $25 000 **B** $40 000 **C** $50 000 **D** $80 000

31 Which description of an electronic bank transfer is correct?

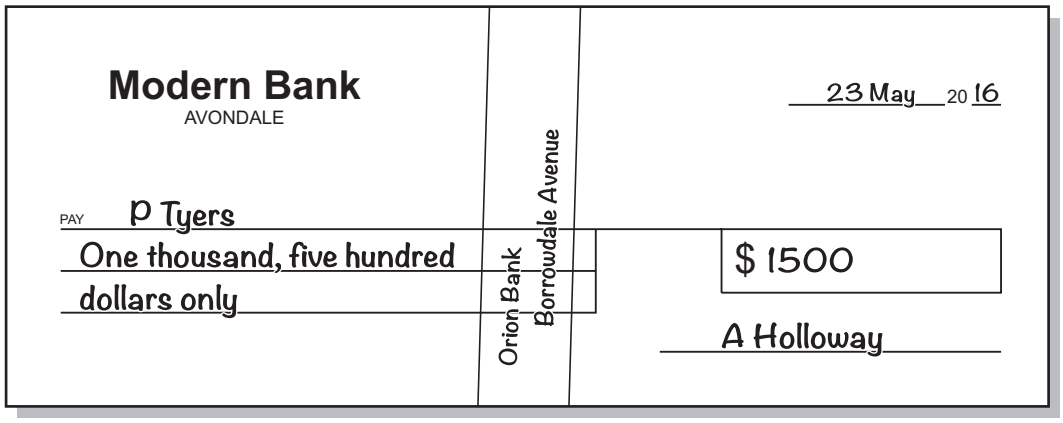
A a document that orders a bank to pay a stated amount of money to another person

B a method of making recurring payments where the payment amounts vary from one payment to another

C a transfer of money from one account to another through computer-based systems

D an instruction to a bank to pay a set amount of money at regular intervals into the payee's account

32 The diagram shows a cheque.



What does the crossing on this cheque mean?

A The cheque must be cashed at Orion Bank.

B The cheque must be paid into an account at Modern Bank.

C The cheque must be paid into an account at Orion Bank.

D The cheque was written by an account holder of Orion Bank.

33 Which bank service is **not** available to customers through an automatic teller machine (ATM)?

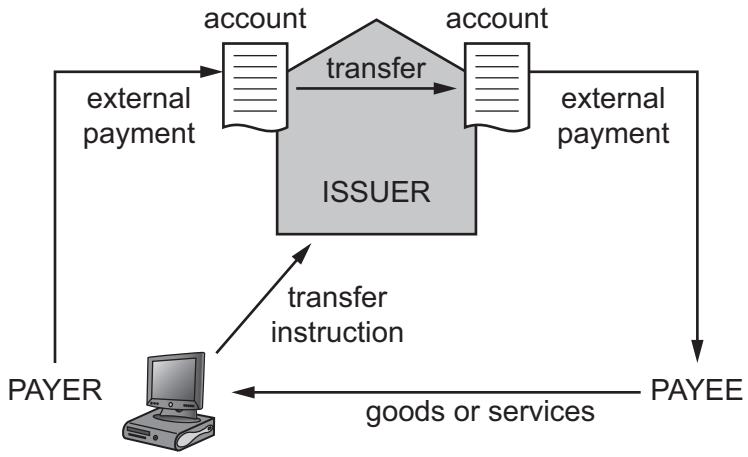
A changing their PIN

B checking the balance of their account

C taking cash out of their account

D transferring their money to another country

34 The flow diagram shows a banking service.



Which banking service is shown?

A bank statement

B Internet banking

C night safe

D telebanking

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 What is **not** a characteristic of a public limited company?

A ability to issue shares to the public

B limited liability

C restriction on the transfer of shares

D separation of control from ownership

37 A friend agrees to lend you $1000 if you pay him back $1200 in 6 months' time.

What is the annual rate of interest for the loan?

A 20% **B** 40% **C** 200% **D** 400%

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38 A lack of working capital would mean that a business would

A be unable to purchase capital equipment.

B have difficulty paying its expenses.

C sell less during a trading period.

D stop trading because it is bankrupt.

39 Suzi runs an Internet business selling fashion clothing. Her profit and loss accounts for the years 2014 and 2015 are shown.

	2014 $000	2015 $000
sales revenue	100	120
less cost of sales	40	50
gross profit	60	70
	$000	$000
expenses: warehouse and office	5	5
advertising and sales	15	25
wages and salaries	30	40
total	50	70
net profit	10	0

What should Suzi do to improve her net profit?

A apply for a bank loan

B increase the cost of sales

C raise her prices

D reduce her expenses

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

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