Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2017**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)
Ruler
Protractor

* 1 8 9 5 2 4 9 2 6 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.

This document consists of **11** printed pages and **1** blank page.

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CAMBRIDGE
International Examinations

1 Which term describes the manufacture of goods and the provision of services?

A commerce

B industry

C production

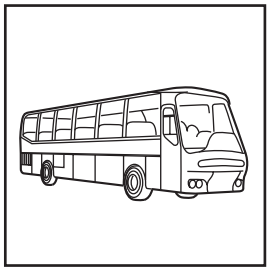
D trade

2 Which picture shows an example of a human need?

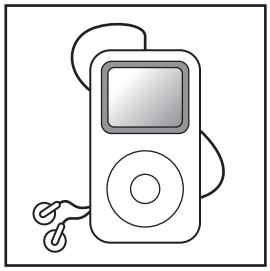
A



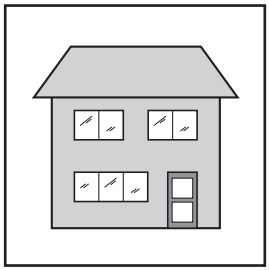
B



C



D



3 Which group of people distributes raw materials and finished goods?

A commercial workers

B direct service providers

C factory employees

D primary producers

4 What would a small-scale retailer often provide?

A large variety of goods

B long-term credit

C mail order sales

D personal service

5 How do barcodes assist retailers?

A by advertising goods and services to consumers

B by distinguishing one product from another

C by producing helpful information to consumers

D by providing information on stock levels

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6 How have retailers responded to recent changes in customer requirements and expectations?

A by decreasing the use of computers and technology

B by having shorter sell-by dates for goods

C by providing better quality own brands

D by reducing the provision of after-sales service

7 How does online shopping differ from traditional shopping?

A accepts credit card payments

B offers cheaper prices

C operates without sales staff

D provides variety of goods

8 What is an advantage to a department store of offering a store card?

A It increases the amount of cash kept on the premises.

B It increases the amount of records to be kept.

C It increases the number of bad debts.

D It increases the turnover of the business.

9 Shanshan wishes to buy a bedroom suite that is on offer for $1800. If she pays cash, a discount of 20% will be given. If she buys on hire purchase terms, a 5% deposit is required plus 10 equal instalments of $200.

How much more will Shanshan pay if she buys on hire purchase rather than paying cash?

A $290 **B** $650 **C** $1440 **D** $2090

10 What is the function of a standards association?

A to award a distinguishing mark on quality products

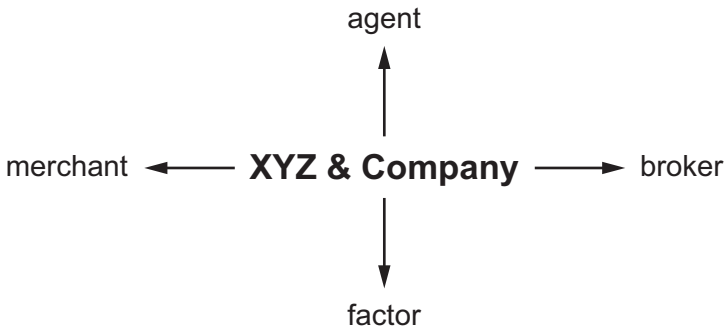
B to guard against unethical advertising techniques

C to mediate in disputes between consumers and traders

D to monitor the rise in the cost of basic commodities

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11 The diagram shows four different intermediaries that XYZ & Company could use to export its manufactured products.



Which activity applies **only** to a merchant when preparing to export XYZ & Company's manufactured 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 a function of a wholesaler?

A to act as a link between manufacturers and retailers

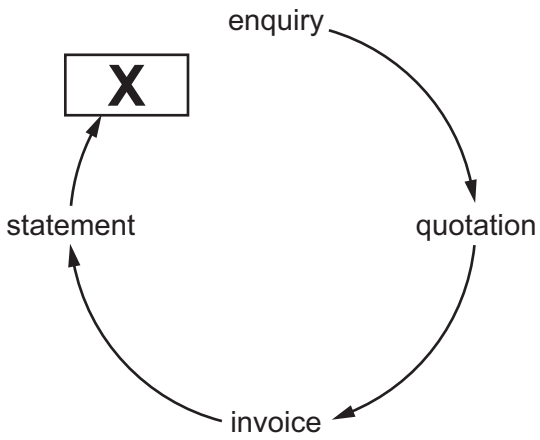
B to advertise widely on television and radio

C to control demand from retailers and consumers

D to provide after-sales service to customers

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13 The diagram represents a commercial transaction.



What is the missing document **X**?

A advice note

B catalogue

C delivery note

D receipt

14 On which document would the following terms of payment appear?

30 days: 5%

A cheque

B credit note

C order

D statement

15 What do the letters E & OE printed at the bottom of an invoice stand for?

A Errors and Observations Expected

B Errors and Omissions Excepted

C Errors and Omissions Expected

D Errors and Opinions Excepted

16 A computer retailer bought a computer for $200 and sold it to a customer for $300.

What is the percentage mark-up?

A 50% **B** 100% **C** 150% **D** 300%

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17 What is an invisible export for Australia?

A a company based in Australia selling cloth to customers in Singapore

B a driver living in Australia insuring his car with a German insurance company

C a Malaysian business using a ship owned by an Australian company

D an Australian company buying steel made in China

18 What is a function of a customs authority?

A controlling airports

B maintaining ports

C preventing smuggling

D setting rates of duty

19 What is **not** a reason for protectionism in international trade?

A to encourage exports

B to help a new local industry grow

C to prevent the country from getting into debt

D to safeguard local jobs

20 The diagram shows an advertisement for milk issued by the Milk Trade Association.



Which type of advertising is shown?

A collective

B competitive

C informative

D persuasive

21 What is an example of a point-of-sale promotion?

A bonus points

B digital billboard

C direct selling

D display at check-out

22 Why are communications important in the global economy?

A to keep efficient records

B to make use of satellite links

C to send email attachments

D to speed transmission of information

23 When placing an order, why might a trader prefer to use email instead of the telephone?

A The order may be discussed in detail.

B The order may be sent over longer distances.

C There is a written record of the order.

D Verbal feedback on the order can be given.

24 Which method of transport would be used to deliver a carpet from a shop to a local customer?

A passenger train

B refrigerated truck

C tanker

D van

25 RRR Railways wishes to increase the amount of heavy goods carried by rail.

What is **most** likely to persuade businesses to consider transporting this type of freight by rail?

A Improved facilities at stations for transferring passengers from trains to buses.

B More ticket offices and waiting rooms at stations.

C New railway wagons designed to carry freight such as cars, oil and containers.

D Trade advertisements for different types of transport.

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26 When flowers are sent by air transport from Kenya to London, which document is completed as evidence of the contract of carriage?

A advice note

B air waybill

C bill of lading

D delivery note

27 Who operates regional distribution centres?

A cash and carry wholesalers

B forwarding agents

C large-scale retailers

D small-scale retailers

28 Mr Gupta has bought a consignment of jewellery for $1000, subject to an import tax of 25%.

How much will Mr Gupta have to pay to take possession of the jewellery from a bonded warehouse?

A $750 **B** $1000 **C** $1025 **D** $1250

29 What is a personal insurance risk?

A consequential loss

B mortgage protection

C plate glass

D product liability

30 Which principle of insurance prevents someone from insuring his neighbour's premises?

A indemnity

B insurable interest

C subrogation

D utmost good faith

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31 Insurance premiums are fixed according to the

A level of risk involved.

B number of non-insurable risks.

C principle of indemnity.

D size of the insurance company.

32 The diagram shows part of a bank statement.

	BANK STATEMENT		
	debit $	credit $	balance $
Oct 1 Balance			100 CR
Oct 4 Cheque 541987	150		50 OD
Oct 7 Bank transfer	15		65 OD
Oct 8 Salary		600	

What will be the balance on October 8?

A $535 CR **B** $535 OD **C** $665 CR **D** $665 OD

33 A bank's client wishes to pay several bills, which vary in amount, at irregular intervals.

Which method of payment is the **most** suitable for the client?

A bank giro

B cheque

C direct debit

D standing order

34 What do the letters PIN, needed to use an Automated Telling Machine (ATM), stand for?

A Payment Identification Number

B Personal Identification Number

C Private Individual Number

D Private Investor Number

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35 The advertisement shows a new protection scheme against consumer fraud.

> *Are your personal details at risk?*
>
> ***STAY SAFE!***
>
> *protects you against:*
> *hackers, identity theft, spyware and viruses.*

For what will this scheme provide protection?

A credit card payments

B internet banking

C telephone banking

D withdrawing cash

36 Two friends wish to set up a business selling books on the internet. They are looking for suitable premises.

Which factor will **most** influence their choice of location?

A good road communication

B large storage facilities

C nearness to customers

D supplies of raw materials

37 Who has the overall control of a public corporation?

A a government minister

B its general partners

C ordinary shareholders

D the managing director

38 What is the **main** advantage that a public limited company has over a private limited company?

A Capital is raised from shares sold on stock exchanges.

B It operates in the private sector of a country's economy.

C Ownership of shares is restricted to members of a family.

D Shareholders have the protection of limited liability.

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

D Vehicles can be sold when no longer needed.

40 Mrs Khan is a retailer who sells luxury handbags.

Last month, the value of her sales turnover was $40 000 and her cost of sales was $30 000.

At the start of the month, her stock (inventory) was $8000 at cost price. At the end of the month, the stock (inventory) was $7000 at cost price.

What was Mrs Khan's rate of inventory turnover for that month?

A 0.25 **B** 4 **C** 5.3 **D** 10 000

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