Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2019**

1 hour

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

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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.

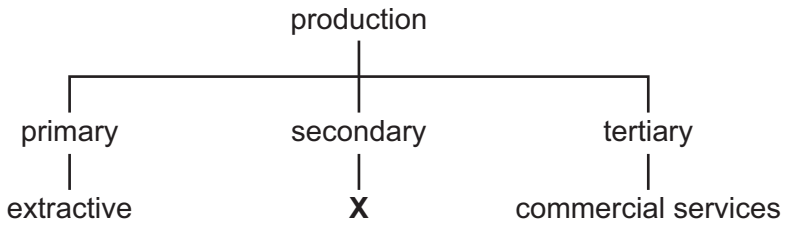
Read the instructions on the Answer Sheet very carefully.

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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1 The diagram shows the stages of production.



What is **X**?

A direct services

B exhaustive industries

C manufacturing

D non-exhaustive industries

2 What is the advantage to a factory owner of using specialisation?

A greater craftsmanship

B increased use of machinery

C more workers required

D workers dependent on one another

3 What is meant by *commerce*?

A buying and selling of goods and services between two or more countries

B distribution of goods and services to those who need them

C making something known to the public through using media

D production of goods and services to satisfy human wants and needs

4 An example of the interdependence between industry and direct services is

A a construction company advertising its range of charges.

B a drilling company taking out employer's liability insurance for its workers.

C a manufacturer making medical equipment for doctors.

D a wholesaler raising finance from a bank.

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5 Which service is carried out by the retailer to help **both** the customer **and** the manufacturer?

A displaying goods for sale

B having conveniently sited shops

C helping to clear goods from the factory

D offering informal credit

6 What is a feature of a department store and **not** of an e-shop?

A It accepts payments by credit card.

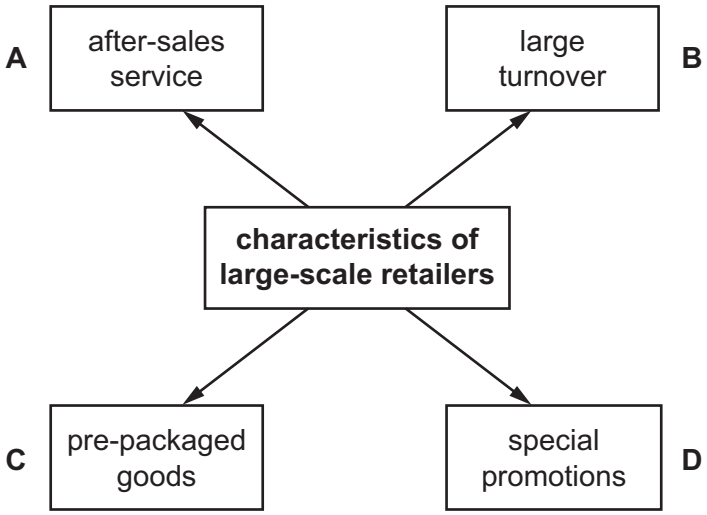
B It has an up-to-date website.

C It is located in a busy shopping centre.

D It offers refunds to customers.

7 The diagram shows four characteristics of large-scale retailers.

Which characteristic suggests that their customers can expect to purchase branded products?



8 One of the advantages of ecommerce is that it enables small firms supplying a specialised market to increase their sales.

To which business would this be **most** likely to apply?

A a garage selling parts for classic cars

B a greengrocer selling local fresh produce

C a hairdresser whose customers are mainly senior citizens

D a tailor providing an alteration service

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9 What is an advantage to a business of selling on credit?

A Capital in the business may have to be increased.

B Less paperwork is required.

C Payment by the buyer is guaranteed.

D Sale of stock may increase.

10 This label was displayed on a tablet computer in a store.

Cash Price: $450

Hire Purchase Price:
Deposit $200 and 12 monthly installments of $25

How much **more** would the tablet computer cost if it was bought on hire purchase?

A $25 **B** $50 **C** $300 **D** $500

11 Buying in bulk and selling in smaller quantities is an important service which is provided by the

A manufacturer for the retailer.

B manufacturer for the wholesaler.

C retailer for the wholesaler.

D wholesaler for the retailer.

12 MM Ltd produces parts for cars. The manager wants to find buyers for the goods which are kept at the factory and which MM Ltd will deliver to the buyer.

She decides to use the services of an intermediary to find buyers for the goods.

Which intermediary is she **most** likely to use?

A broker

B factor

C merchant

D wholesaler

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13 The diagram shows part of the flow of documents between the buyer and seller in home trade.

order → **X** → invoice

What is the document marked **X**?

A advice note

B enquiry

C price list

D receipt

14 Mr Amon bought goods at $400 less 25% trade discount. He paid promptly and received a cash discount of 5%.

How much did he pay for the goods?

A $280 **B** $285 **C** $300 **D** $380

15 What does an unfavourable Balance of Trade mean?

A A country has imported more goods than it has exported.

B A country has imported more services than it has exported.

C A country has exported without importing.

D A country's total imports exceed its total exports.

16 What are ASEAN and the EU examples of?

A airport authorities

B customs authorities

C political parties

D trading blocs

17 SS Ltd wishes to export its sportswear. It must consider the following factors when researching potential markets.

climatic conditions **cultural requirements** **language differences**

Which other factor is **most** likely to influence its choice of potential markets?

A import regulations

B number of banks

C storage areas

D time differences

18 The diagram shows a notice in a shop window aimed at attracting customers into the shop.



Which statement describes this notice?

A It is a form of broadcast advertising.

B It is a type of sales promotion.

C It is an appeal to people's emotions.

D It is an example of informative advertising.

19 Why would WW Ltd make increasing use of the internet to advertise its products?

A to allow competitors to see what the company is selling

B to give detailed information about its range of products

C to enable the company to target consumers in its local area

D to reduce the need to update the website

20 What is browsing the internet by going from one page to another known as?

A blending

B hacking

C phishing

D surfing

21 What is **not** an example of social media?

A blog

B chatroom

C forum

D voicemail

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22 What is a feature of rail transport?

A being available everywhere

B being cheap over short distances

C carrying large loads

D delivering from door-to-door

23 What is an advantage of containerisation?

A all types of goods can be carried

B goods are unpacked at ports

C goods have to be inspected by customs

D increased speed of loading and off-loading

24 What is mass rapid transit (MRT)?

A a fast inter-city rail passenger service

B an integrated transport system using standard-sized containers

C express road routes such as motorway/autoroute

D high-speed transport of a large number of people in city areas

25 Why would a consignment of goods sent from China to the UK be stored in a bonded warehouse?

A The buyer wishes to delay payment of import duty.

B The goods are contraband and have been seized by customs.

C The importer is hoping for a better rate of currency exchange.

D Their labels need to be translated into English.

26 Why do hypermarkets need warehousing?

A to avoid paying customs duties

B to enable other retailers to purchase from them

C to maintain supplies to their shops

D to store goods after production

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27 The following information concerns an insurance company.

	$ m
administration costs	10
claims by policy holders	50
interest on investments	5
premiums received	80

How much is the profit of the insurance company?

A $5 m **B** $25 m **C** $40 m **D** $70 m

28 What does employer's liability insurance cover?

A faulty products

B injuries to customers

C injuries to employees at work

D theft by employees

29 What does the principle of indemnity state?

A All matters relating to the insurance must be disclosed.

B The insured must always tell the truth.

C The insured must have a financial interest in what is insured.

D The insured should not profit from the insurance company.

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30 Which banking service is shown?



A bank draft

B documentary credits

C internet banking

D telephone banking

31 Mr Soon has an overdraft limit of $5000. His current account has a credit balance of $300.

If he draws further cheques totalling $2000, what will be the overdrawn balance on his account?

A $300 **B** $1700 **C** $2300 **D** $7000

32 Which service, offered to bank customers, enables them to make fixed payments at regular intervals?

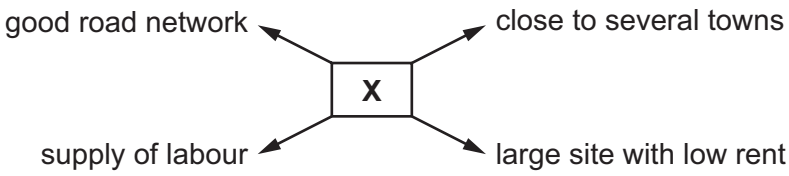
A credit card

B credit transfer

C direct debit

D standing order

33 The diagram shows reasons for the location of a business.



What type of business is marked **X**?

A commercial bank

B department store

C insurance company

D truck manufacturer

34 A shareholder in a public limited company can sell his shares by

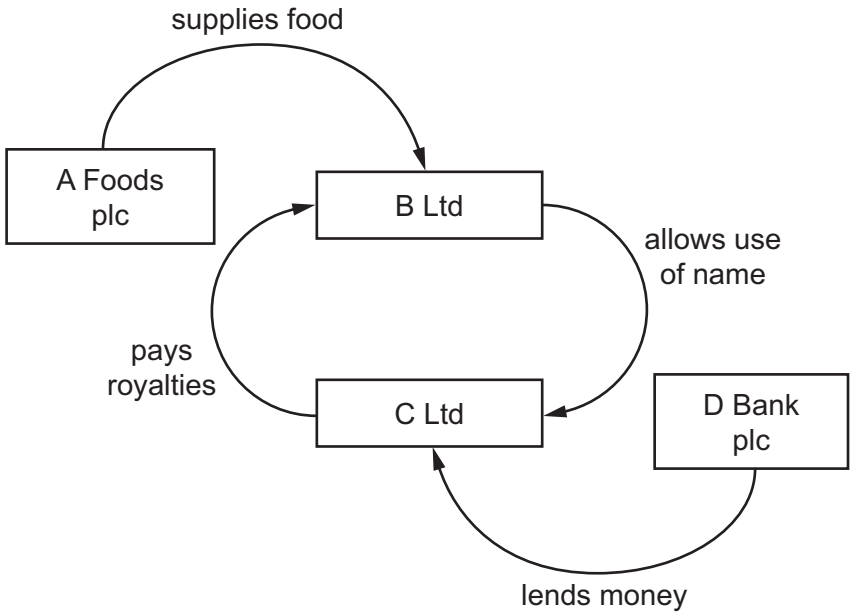
A advertising them in a newspaper.

B asking the company to buy them back.

C offering them on the stock exchange.

D transferring them to friends and family.

35 The diagram shows four businesses involved in a franchise.



Which business is the franchisee?

A A Foods plc

B B Ltd

C C Ltd

D D Bank plc

36 A public limited company has been refused a bank loan for an expensive project.

What would be the **most** suitable course of action for this company to take to obtain the finance?

A finding a large amount of trade credit

B linking up with a venture capitalist

C negotiating an overdraft for three years

D using up all its cash reserves

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37 The following information relates to a sole trader.

	$
current liabilities	20 000
stock	10 000
debtors	15 000
cash in hand	10 000

What is the sole trader's working capital?

A $15 000 **B** $20 000 **C** $25 000 **D** $35 000

38 What is an example of an economic factor affecting commercial activities?

A better communication

B changes in consumer tastes

C political stability

D unemployment levels

39 What is a commercial effect of ecommerce?

A Customers are supplied from a variety of outlets.

B Markets are concentrated on a narrow range of goods.

C Online retailers work with a single producer.

D There is a general decrease in competition.

40 Which product may contribute to global warming?

A electric cars

B non-recyclable packaging

C reusable shopping bags

D solar panels

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