Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/13**

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)

5231739000

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.

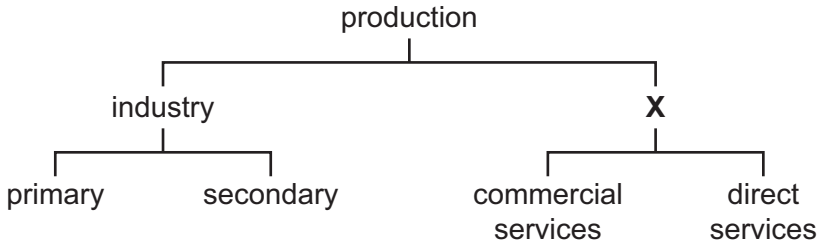
Read the instructions on the Answer Sheet very carefully.

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 does **X** represent?

A distribution

B tertiary

C trade

D transport

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 an example of an aid to trade?

A buying and selling goods to make a profit

B creating a surplus of production for exporting

C providing storage facilities

D reducing taxes on imports

4 Production cannot take place without industry, commerce and direct services.

This means that

A direct services have recently become more important.

B industry, commerce and direct services are interdependent.

C more workers are employed in commerce.

D specialisation in industry is decreasing.

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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 The diagram shows the layout of a retail store.

fifth floor	lift, stairs and escalator	furniture, electrical goods and restaurant
fourth floor		children's clothes and toys
third floor		ladies and men's clothing
second floor		cosmetics, shoes and handbags
first floor		gifts and kitchen goods

What is this type of store?

A department store

B hypermarket

C multiple chain

D supermarket

7 What is a **disadvantage** to a buyer of using credit?

A Consumers may default on their payments.

B Consumers can spread their payments.

C It encourages overspending.

D It helps to meet emergencies.

8 Mr Lee has seen a second-hand van he wishes to buy costing $8000. He has enough money for the deposit.

What is the **best** type of credit to use to pay the balance?

A credit card

B deferred payment

C hire purchase

D overdraft

9 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.

10 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

11 What is added to the cost price of goods to cover overheads and profit?

A cash flow

B mark-up

C sales turnover

D working capital

12 The following figures have been taken from an invoice dated 20 June.

total price of goods	$2000
trade discount	25%
terms	5% 7 days

If the invoice is paid on 30 June, how much would be paid?

A $1425 **B** $1500 **C** $1900 **D** $2000

13 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.

14 A free port is an area where

A goods can be prepared for sale without payment of duty.

B no port charges have to be paid.

C ships have unrestricted access and departure times.

D traders can exchange goods free of inspection or regulation.

15 What is **not** an objective for countries in a trading bloc?

A increasing trade

B limiting the movement of labour

C lowering tariffs

D promoting economic co-operation

16 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

17 Product placement is increasingly used to promote goods.

What does this involve?

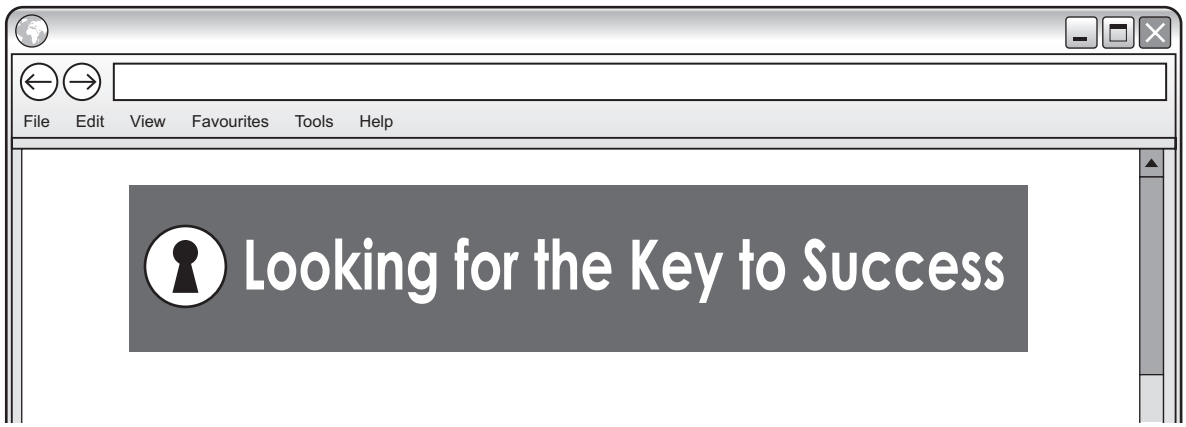
A A cleaning product is shown to make a kitchen safe and healthy.

B Advertisements link success with the use of a certain product.

C Branded goods are featured in television series.

D Famous personalities are paid to recommend a particular product.

18 The picture shows an example of advertising media.



What is this called?

A banner

B billboard

C email

D pop-up

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 an example of computer hardware?

A app store

B mobile phone

C podcast

D tablet

21 Mobile phone technology helps businesses communicate with their customers through their use of

A fax.

B intranet.

C letters.

D text messages.

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22 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

23 What is the management of the flow of goods from production to the market called?

A freight forwarding

B importing and exporting

C logistics

D sustainability

24 What is a regional distribution centre (RDC)?

A a building where goods are processed and manufactured

B a centrally-located place from which goods are supplied to branches of large-scale retailers

C a warehouse which provides goods to small-scale retailers without delivery services

D an outlet where consumers can purchase goods in small quantities

25 Why do port authorities and airport authorities operate bonded warehouses?

A to count goods stored so that the Balance of Trade can be assessed

B to keep machines and equipment used in the port or airport

C to provide storage for goods awaiting sale on which duty has been paid

D to store dutiable goods that are to be re-exported

26 QQ Insurance offers customers 25% no-claims discount after 3 years, increasing to 55% after a further 2 years.

Mrs Singh has 5 years claim free driving.

By how much will her premium of $1200 be reduced?

A $300 **B** $540 **C** $660 **D** $900

27 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.

28 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

29 Mr Patel is a small shopkeeper who has an internet banking account.

What is his **main** reason for regular visits to his bank's local branch?

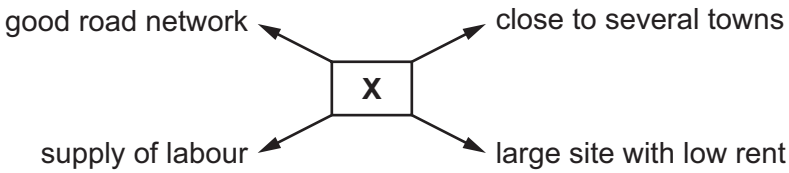
A to find out the balance of his business account

B to make payment to his wholesalers

C to obtain cash in small denominations for day-to-day transactions

D to order a replacement debit card

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



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

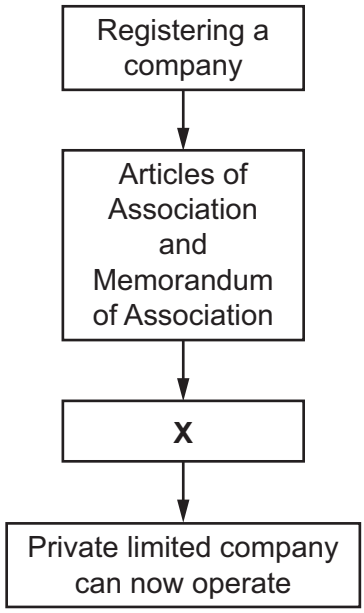
A commercial bank

B department store

C insurance company

D truck manufacturer

31 The diagram shows the process of setting up a private limited company.



What does **X** represent in the diagram?

A Certificate of Incorporation

B Insurance Policy

C Prospectus

D Trading Certificate

32 A franchise had an annual turnover of $500 000. Profits for the year (net profit) was $20 000.

If the franchisee has to make a 5% royalty payment to the franchisor, how much will the payment be?

A $1000 **B** $24 000 **C** $25 000 **D** $26 000

33 What benefit might a multinational company provide to its host country?

A improving the local infrastructure

B locating where the wages are low

C moving capital from one country to another

D sending its profits back to its home country

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34 A sole trader with cash flow problems needs to borrow money to pay an electricity bill.

Which source of finance is the sole trader likely to apply for?

A debenture

B loan

C mortgage

D overdraft

35 Mr. Khan bought 500 shares for $3000.

After three months he received a total dividend of $200.00. He then sold the shares for $8.00 each.

How much did he make or lose on the whole transaction?

A $1200 loss **B** $1000 profit **C** $1200 profit **D** $4000 profit

36 A method of increasing profit for the year (net profit) in a business is by increasing the

A average stock of goods.

B capital of the business.

C cost of goods sold.

D sales revenue.

37 Which newspaper headline has a political effect on commercial activity?

A



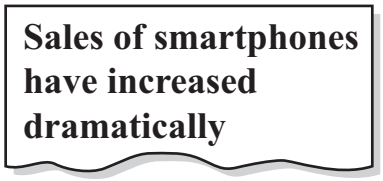
B



C



D



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38 What is a characteristic of an eshop?

A It is situated in a shopping mall.

B It opens for a limited number of hours each day.

C It specialises in selling electronics.

D It trades on the internet.

39 CKT is a multiple store.

Which measure should CKT introduce to protect the environment?

A advertise repeatedly on television and in magazines

B increase the use of air-conditioning in the stores

C make a charge for plastic carrier bags

D promote home-produced goods within the stores

40 Simeon bought an iron two days ago. It caught fire when he tried to use it. He returned the iron to the retailer with the receipt.

Which solution should Simeon insist upon?

A a credit note to buy goods at a later date

B a refund of the money he has paid

C a written letter of apology

D the repair of the faulty iron

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