Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2021**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 40.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

IB21 06_7100_12/2RP
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[Turn over

1 At which stage of production are raw materials turned into finished products?

A extractive

B primary

C secondary

D tertiary

2 Which occupation is **not** correctly matched with its type of production?

	occupation	type of production
A	chemical worker	primary
B	clothing manufacturer	secondary
C	sheep farmer	primary
D	wholesaler	tertiary

3 What is an advantage to a firm of division of labour?

A Every worker will do a variety of tasks.

B Production becomes cheaper for each product made.

C Tasks may become repetitive and boring.

D Workers may take longer to produce goods.

4 When industry, commerce and direct services rely on each other they are

A competitive.

B interdependent.

C manufacturing.

D specialising.

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5 The diagram describes some functions of the retailer.



What is X?

A clearing production lines

B giving discount to wholesalers

C providing credit to customers

D selling to wholesalers

6 What is an advantage to Mrs Lee of buying clothing from a multiple chain store rather than from a factory shop?

A car parking

B cheaper prices

C choice of brands

D free delivery

7 Increasing numbers of firms now use QR (Quick Response) codes.

What do consumers need to be able to access this type of code?

A bar code reader

B digital camera

C personal computer

D smartphone app

8 Anya wants to buy a new washing machine. She can pay using cash, credit card or hire purchase.

What is the cheapest method of payment for Anya?

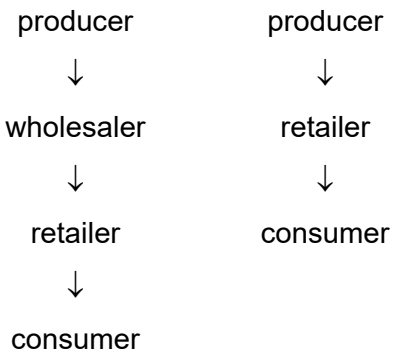
A Anya may pay interest charges if she does not repay her credit card on time.

B Anya owns the washing machine once she has paid the hire purchase deposit.

C Anya will not face any additional charges if she pays using cash.

D Anya would not have the risk of theft if she uses her credit card and not cash.

9 The diagram shows two channels of distribution.



Which business would use both channels of distribution?

A car manufacturer importing steel

B sweet manufacturer supplying shops

C travel company selling specialist holidays

D wheat farmer exporting grain

10 Which document gives a summary of a customer's transactions over a period of time?

A delivery note

B quotation

C receipt

D statement of account

11 The cost price of a fridge-freezer is $400. The selling price is $480.

What is the mark-up for the fridge-freezer?

A 0.8% **B** 16.7% **C** 20% **D** 83.3%

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12 When is cash discount offered by a wholesaler to a customer?

A when the customer buys goods on hire purchase

B when the customer buys trade goods

C when the customer pays for goods promptly

D when the customer pays for goods with a credit card

13 Malaysia buys wool from Australia and supplies this wool to the UK.

Which type of trade is being carried out by Malaysia?

A entrepôt trade

B export trade

C free trade

D import trade

14 The table shows international trade figures for a country.

exports	$
goods	115 000
services	35 000
imports	$
goods	165 000
services	12 000

What is the country's Balance of Trade?

A $50 000 deficit

B $50 000 surplus

C $90 000 deficit

D $90 000 surplus

15 Why might a government impose quotas on imports?

A to increase imports

B to prevent smuggling

C to protect local industries

D to raise tax revenue

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16 Which problem might cause difficulty for an exporter of ovens?

A Large quantities of ovens are sold.

B Payments are made in different currencies.

C Production is increased to meet home demand.

D Transportation of ovens by containers is secure.

17 What is the main reason for the growth of internet advertising?

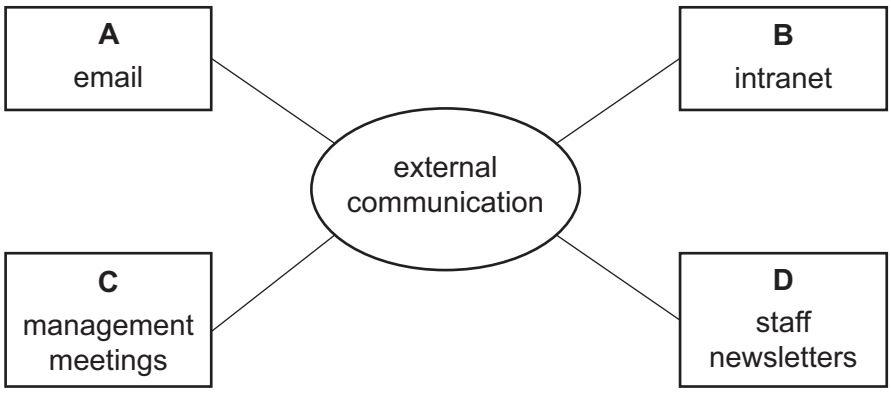
A Consumers can return goods at any time.

B Internet users like watching pop-up adverts.

C Many households have access to the internet.

D Well-designed websites are cheap to set up.

18 Which method of communication would be used for external communication?



19 Which postal service is correctly matched with its description?

	postal service	description
A	airmail	service for people travelling
B	express mail	service providing guaranteed next day delivery
C	poste restante	post office box where mail is kept for the keyholder
D	registered post	proof of delivery when sending valuable items

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20 How can a business use social media?

A Pay a famous person to tweet about their products.

B Place their products in a movie.

C Send letters to customers to advertise their products.

D Telephone customers to get product feedback.

21 What is the benefit of using roll-on, roll-off (Ro-Ro) ships to transport freight across sea channels?

A Bulk commodities are easily loaded and unloaded.

B Containers can be stacked on ships.

C Containers may be transferred quickly from lorries to ships.

D Lorries do not have to unload cargo in transit.

22 Which function is performed by airport authorities?

A collecting import and excise duties

B guarding against smuggling

C operating immigration control

D providing security for goods and passengers

23 What does a bill of lading show?

A clearance by customs

B invoice number

C name of airline

D name of ship

24 What is an advantage to a producer of warehousing?

A It allows the producer to manufacture large quantities of goods ahead of demand.

B It allows the producer to offer trade credit to reliable customers.

C It enables the producer to make customers aware of its products.

D It enables the producer to operate a cash and carry service for customers.

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25 What is the benefit of paying insurance premiums to insurance companies?

A offers security in the event of a risk

B reduces the risk of making a claim

C requires large reserves of money

D stops an event from happening

26 Which risk is non-insurable for a business?

A accidental breakage of windows

B competition from other businesses

C damage to goods while they are in transit

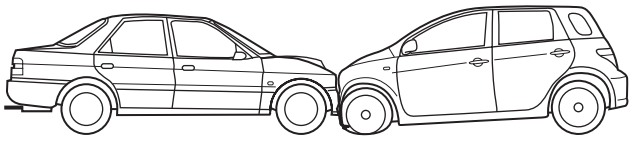
D injury to an employee while at work

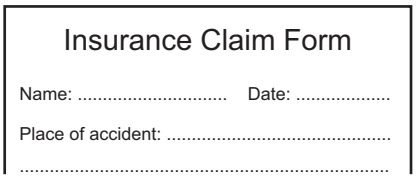
27 A factory is valued at $3 million. Its owners insure it against fire with two companies for $3 million with each company.

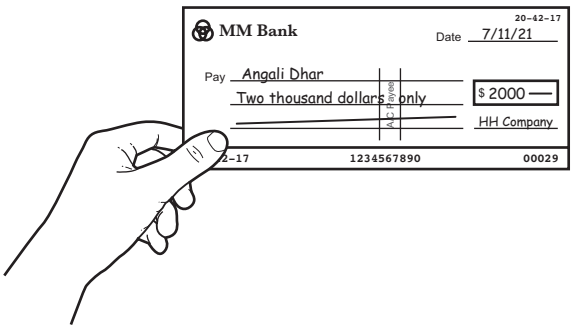
How much compensation would the owners receive after a total loss due to a fire?

A none **B** $1.5 million **C** $3 million **D** $6 million

28 The diagram shows events involved with making an insurance claim.







What is the best way to help the insurance company process the claim quickly?

A Fill in the insurance proposal form correctly.

B Repair the car straight away.

C Take photographs, notes and videos as evidence.

D Wait for a week before filling in the insurance claim form.

29 A business applies for a bank loan of $10 000 to be repaid in 12 monthly instalments. The amount of interest the bank will charge is 20%.

How much money has to be repaid each month?

A $833.33 **B** $1000 **C** $8000 **D** $12 000

30 The newspaper headline is about the closure of bank branches.

> **This year over 500 bank branches will shut.**
>
> **Will your local bank disappear?**

Why are many bank branches closing?

A Bank branches have to make way for more shops and restaurants.

B Banks cannot recruit enough staff.

C Customers are changing to online banking.

D They are difficult to keep secure.

31 Which location factor should an online seller consider?

A close to competition

B highly skilled workforce

C large storage area

D nearness to customers

32 Which type of business organisation sells its shares to the general public?

A partnership

B private limited company

C public limited company

D sole trader

33 What is provided by a franchisor to a franchisee?

A arranging national advertising

B employing labour

C investing money

D paying royalties

34 What is a characteristic of a bank overdraft?

A available to everyone

B no interest is charged

C the borrower must provide collateral security

D the interest rate is variable

35 The financial data shown is for a retailer.

	$
current assets	765
current liabilities	420
gross profit	750
sales turnover (revenue)	1200

What is the retailer's working capital?

A $330 **B** $345 **C** $435 **D** $1185

36 Which action will **not** improve the rate of inventory turnover of a business?

A increasing the stock held

B purchasing from well-known suppliers

C reducing selling prices

D undertaking an advertising campaign

37 What is an easy way to identify external factors that affect commercial activities?

A AIDA

B BOGOF

C EPOS

D PEST

38 What is an example of a sustainable transport solution?

A developing electric cars to replace petrol and diesel cars

B encouraging use of trucks to move raw materials and goods

C increasing use of courier services to deliver goods

D reducing sales tax on small commercial vehicles

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39 What is the **most** effective way of recycling household waste?

A fewer collection services provided to consumers

B recycling plants located far from collection points

C reduction of packaging when goods are purchased

D separation of waste by consumers into containers provided by collectors

40 A shopkeeper must exchange goods when

A goods are deliberately damaged just after they have been bought.

B goods have faults but are supposed to be in perfect condition.

C shoppers do not want the goods after using them for six months.

D shoppers return items ‘sold as seen’ in a sale.

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