UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/01**

Paper 1 Multiple Choice **October/November 2010**

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

* 1 3 2 4 4 7 6 3 4 3 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

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.

IB10 11_7100_01/4RP
© UCLES 2010

UNIVERSITY of CAMBRIDGE International Examinations

1 How does commerce assist industry?

A converts raw materials into finished goods

B enables industries to introduce specialisation

C helps manufacturers to find a market

D provides skilled labour for manufacturers

2 Which is **not** an example of adding value to the production of an article?

A decreasing the price

B improving the quality

C making from raw materials

D using attractive packaging

3 Pierre Smith uses his Cinnamon credit card to make purchases. Part of his credit card statement is shown below.

Cinnamon Credit Card Statement
Card Number: 3533 7890
Cardholder: Pierre Smith

Transaction date	Description	Amount $
7 October	Food purchases – Kahn's Supermarket	35.00
12 October	Two nights' stay at Gemini Hotel	120.00
14 October	CD & DVD purchases – Wicked Music website	55.00
21 October	Football match tickets – City Stadium	100.00
	Balance	310.00

Which transaction might be described as e-commerce?

A CD & DVD purchases – Wicked Music website

B Food purchases – Kahn's Supermarket

C Football match tickets – City Stadium

D Two nights' stay at Gemini Hotel

© UCLES 2010

4 What is an example of after-sales service?

A breaking bulk

B credit to customers

C installation of goods

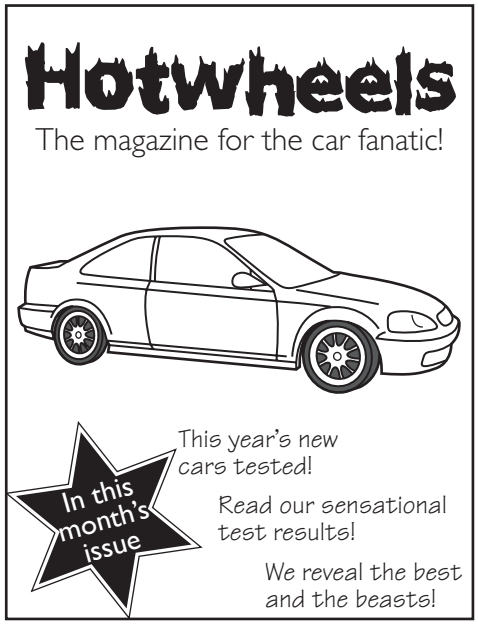
D pre-packaging

5 A car will cost $8000 if bought using hire purchase. The terms are 10 % deposit with the balance payable over 12 equal instalments.

How much will each instalment be?

A $600 **B** $666.60 **C** $733.30 **D** $7200

6 The diagram shows the cover of Hotwheels car magazine.



In what way might Hotwheels car magazine assist consumers?

A It aids the car manufacturers to get loans from banks.

B It enables a country to increase its exports of cars.

C It helps the government ensure that consumers buy the best cars.

D It informs consumers about the performance of cars.

7 A shopkeeper must exchange goods when

A a shopper does not want the goods after they have been paid for.

B a shopper prefers another item after the goods have been paid for.

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

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

8 Why is the wholesaler being eliminated in some trades?

A Cash and carry warehouses are becoming more popular.

B Large scale retailing has increased.

C Many small scale retailers buy in small quantities.

D Self-service is used in many shops.

9 What is a major service provided by wholesalers to consumers?

A clearing goods from the manufacturer

B financing production

C steadying supply and prices

D warehousing

10 What is the work of forwarding agents (freight forwarders)?

A establishing contact between sellers and prospective buyers

B giving guarantees to the sellers that the goods imported will be sold

C offering specialist advice on available transport facilities

D taking possession of goods and selling them in their own names

11 In what order should the following home trade documents be used?

A invoice, statement, order, quotation

B order, quotation, invoice, statement

C quotation, order, invoice, statement

D statement, invoice, enquiry, order

© UCLES 2010

12 For what purpose is an invoice sent from the seller to the buyer?

A to confirm the receipt of the customer's order

B to inform the buyer of the despatch of goods

C to show the details and cost of a particular purchase

D to summarise a number of transactions over a period

13 An extract from an invoice received by a retailer is shown below.

20 cases	canned pineapple @ $10 per case	$200
	less 20 % trade discount	$40
		$160

If two damaged cases of canned pineapple are returned, how much does the retailer now owe the supplier?

A $144 **B** $160 **C** $180 **D** $200

14 What does a wholesaler offer to encourage retailers to buy large quantities of goods?

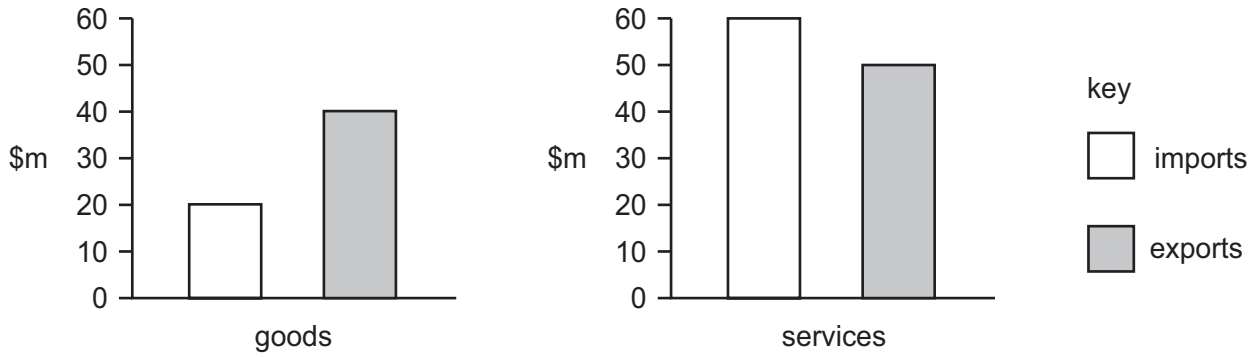
A cash discount

B cash with order

C hire purchase

D trade discount

15 The bar charts show country Y's imports and exports.



What is country Y's Balance of Trade?

A –$60 m **B** –$20 m **C** +$20 m **D** +$60 m

16 A country is considering a free trade agreement that is likely to face opposition from local farmers.

Which of the possible effects of the free trade agreement is most likely to anger the local farmers?

A A wider variety of foods might appear in the local market.

B Cheap food imports might put local farmers out of business.

C Local farmers might be encouraged to produce food for export.

D The government might increase tariffs on food imports.

17 Sellers of similar products advertising their goods together are said to be using

A collective advertising.

B competitive advertising.

C informative advertising.

D persuasive advertising.

18 The diagram shows an advertisement.



Which method of appeal is the advertiser using?

A colour

B comedy

C emotion

D famous people

19 What are electronic advertising boards called?

A banners

B digital billboards

C posters

D sales promotion

20 Why has a sales manager decided to use teleconferencing for monthly meetings of sales representatives?

A A permanent record of the discussion can be made for later use.

B Each sales representative can see as well as listen to everyone else.

C Meetings can be arranged quickly without using special equipment.

D Travel time and accommodation costs can be saved.

21 Which communication service is the most suitable for use in market research to encourage members of the public to respond?

A business reply

B express mail

C poste restante

D recorded delivery

22 Mrs Jabbar owns a small business in Mauritius. She has received a letter by fax from Martin Holt of STM (GB) Limited. Part of this letter is shown.

STM (GB) LIMITED

Haffenden Road
High Wycombe
HP13 5FT

Tel: (+44) 01494 755600
Fax: (+44) 01494 759775

Martin Holt's Voicemail: 01494 755632

Mrs Jabbar wishes to speak directly with Martin Holt about his letter.

Which number should she use to contact him?

A 01494 755632

B 01494 755600

C (+44) 01494 755600

D (+44) 01494 759775

23 Which form of transport has the advantage of low operational costs?

A air

B pipeline

C road

D sea

24 A car assembly plant in Singapore would like to import 1000 motor vehicle kits from Japan.

What advantage would there be from containerising this consignment?

A The consignment does not need to be inspected by customs officials.

B The goods cannot be lost while in transit.

C The kits are carried in conveniently small quantities.

D The warehousing costs are reduced.

25 Which is **not** the responsibility of a port authority?

A collecting customs duties

B dredging the harbour

C providing re-fuelling facilities

D providing unloading equipment

26 Which feature applies to **all** types of warehouse?

A located on the outskirts of towns

B owned by wholesalers

C provides suitable storage for commodities

D situated near major roads

27 Why are selling costs lower in a cash and carry warehouse than in a traditional warehouse?

A Delivery is provided.

B No credit is offered.

C Only food and household goods are sold.

D Small quantities of goods are stored.

28 When may goods be removed from a bonded warehouse?

A when a buyer has been found

B when customs duty has been paid

C when goods have been blended and packed

D when transport has been arranged

© UCLES 2010

29 When insurance is arranged between a person or business and an insurance company, what is the legal contract between the two parties called?

A agreement

B cover note

C premium

D policy

30 What determines the amount charged as an insurance premium?

A amount of risk involved

B government regulations

C number of policies held by the insured person

D wealth of the insured person

31 On what type of bank account may a trader draw cheques?

A current account

B deposit account

C investment account

D loan account

32 Part of a bank statement is shown below.

	BANK STATEMENT		
	debit $	credit $	balance $
Oct 1 Balance			100 CR
Oct 4 Cheque 541987	150		50 OD
Oct 7 Standing Order	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 trader with a bank current account wishes to make monthly payments for a trade journal.

Which method of payment would be most suitable to use?

A bank draft

B bank notes

C cable transfer

D standing order

34 Which service is **not** available to bank customers through Automatic Teller Machines (ATMs)?

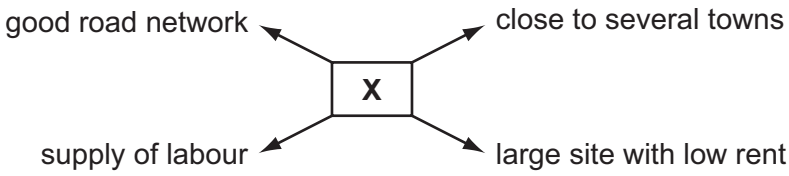
A checking the balance of their accounts

B organising personal loans

C requesting printed bank statements

D withdrawing cash

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



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

A bicycle manufacturer

B commercial bank

C department store

D insurance company

36 Coolsounds Ltd is a public limited company.

Who owns Coolsounds Ltd?

A directors

B government

C public

D shareholders

© UCLES 2010

37 What is a characteristic of a bank loan?

A A formal agreement is required.

B It is used for short-term borrowing.

C The borrower must have a current account.

D The interest rate on the amount borrowed is variable.

38 ABC Corporation is a large manufacturing company. It needs immediate finance as it is having cash flow problems.

Which source of finance would be the **most** suitable for ABC Corporation?

A hire purchase

B overdraft

C shares

D trade credit

39 The table shows the balances in the books of a sole trader.

	$
capital	2 700
creditors	400
premises	500
stock	2 000
cash	500

Which item is a fixed asset?

A capital

B cash

C creditors

D premises

40 A simplified trading, profit and loss account comparing two years is shown below.

	Year 1 $	Year 2 $
sales revenue	500 000	500 000
gross profit	300 000	300 000
net profit	200 000	150 000

What caused net profit to decrease between Year 1 and Year 2?

A decrease in cost of goods sold

B decrease in selling price

C increase in expenses

D increase in selling price

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2010