UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **October/November 2011**

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

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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.

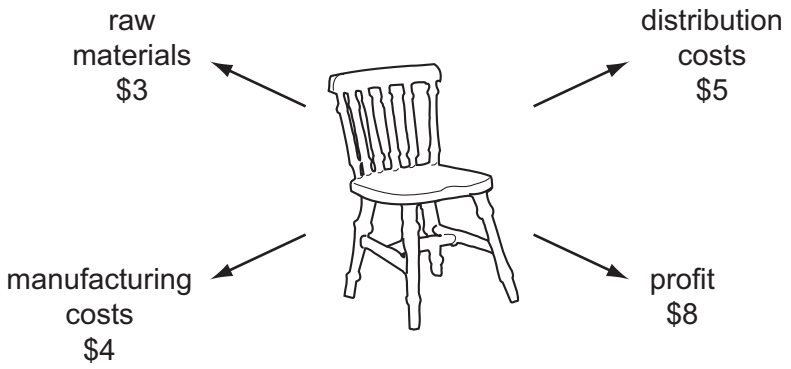
Read the instructions on the Answer Sheet very carefully.

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.

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

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1 The diagram shows a wooden chair that sells for $20.



How much value was added to the raw materials to produce the wooden chair?

A $4 **B** $9 **C** $17 **D** $23

2 What is trade?

A buying and selling goods and services for profit

B changing natural resources into usable goods

C producing and distributing goods and services

D providing consumers with goods and services

3 What is the **main** purpose of production?

A to increase exports

B to provide employment

C to satisfy human wants

D to use factors of production

4 Why do companies use logos on the packaging of their products?

A to ensure that the product cannot be resold by thieves

B to identify and scan the product for the purposes of stock control

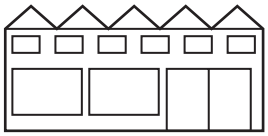
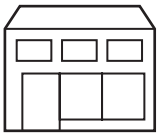
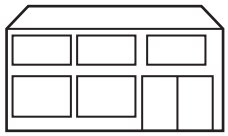
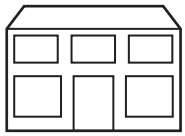
C to make the product easily recognised and remembered by the consumer

D to show that the product meets all legal health and safety requirements

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5 The following types of retailer operate in a country.

Which retailer is likely to sell many goods at low prices?

A	B	C	D
			
Finefare hypermarket	Kagiso village baker	Amit & Amico department store	Basheen Shoes multiple chain

6 Which service do credit card companies provide free of charge when customers use their credit cards?

A balance transfers

B cash withdrawals

C foreign currency

D monthly statements

7 Customers can use different types of card when buying goods and services.

Which type of card allocates points to a customer for every $1 spent?

A credit card

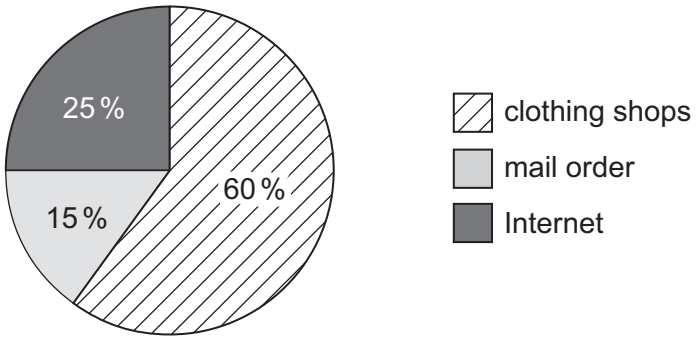
B debit card

C loyalty card

D store card

8 Karim and Partners sells a range of clothing through three types of sales outlet.

The pie chart shows its percentage sales through these outlets for the year 2010.



Total sales: $120 million

What is the total value of sales from home shopping for 2010?

A $18 million **B** $30 million **C** $48 million **D** $72 million

9 Which question is **most** important for a customer considering buying goods on credit?

A Are the goods fit for the purpose?

B Do the goods represent value for money?

C What discount will be given by the retailer?

D What is the difference between the cash price and the credit price?

10 Shops **must** exchange goods if

A the goods are faulty.

B the goods have no instructions.

C the shopper has changed her mind.

D the shopper prefers a different colour.

11 What name is given to the person who does not have possession of the goods, but sells them on behalf of his principal?

A broker

B factor

C insurer

D merchant

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12 A wholesaler is **most** likely to be used when

A a retailer operates on a small scale.

B goods are large and expensive.

C goods are perishable or fragile.

D large orders are made by retailers.

13 The diagram shows a statement of account.

HARTBURN LTD
Wholesalers
Moorgate Road
Sunderland

Orion Ltd
Fashion Wholesalers
784 Brightside
Anytown

May 2011

Date	Details	Debit	Credit	Balance owed $
30 April	Balance b/f			200.00
01 May	Invoice No. 627	50.00		250.00
05 May	Credit Note No. 45		10.00	240.00
06 May	Cheque		200.00	40.00
26 May	Invoice No. 695	600.00		X

What is the value of X?

A $440.00 **B** $560.00 **C** $640.00 **D** $730.00

14 An advice note is used when

A a buyer returns goods to the seller.

B a seller requests payment.

C goods have been despatched.

D there is an error resulting in an undercharge.

15 Why do countries join trading blocs?

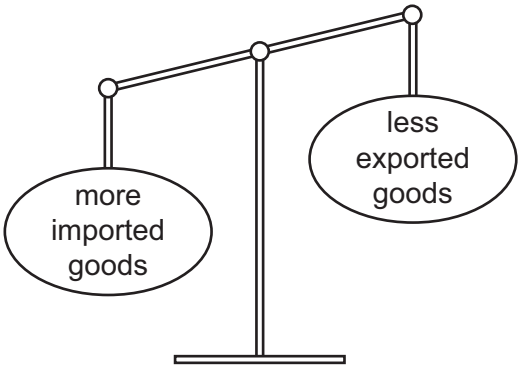
A to benefit from free trade

B to obtain free advertising

C to pay more import duty

D to stop imported goods

16 The diagram represents a country's international trade.



What is the state of this country's international trade?

A deficit on Balance of Payments

B deficit on Balance of Trade

C surplus on Balance of Payments

D surplus on Balance of Trade

17 What is the function of a Customs Authority?

A collecting statistical information on imports and exports

B deciding on changes in the rates of customs duties to be charged

C maintaining port and airport facilities

D providing warehousing for seasonal goods

18 Amos Patel wishes to use the Internet to promote his business. He has arranged to place a pop-up advertisement on the website of a well-known company.

What advantage is gained by Amos when using this type of Internet advertising?

A endorsement by the well-known company

B mailing list of many potential customers

C professional design of the advertisement

D regular and frequent worldwide publicity

19 What is the aim of competitive advertising?

A to compete for advertising time on television

B to inform the public of forthcoming events

C to make more sales than other companies

D to tell consumers about new products

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20 A company representative travelling in an overseas country wishes to keep in contact with her head office.

Which method would be **most** useful to this representative?

A business reply service

B cell phone

C private box

D videoconferencing

21 What is the cheapest method of sending a written message from one company to another?

A airmail

B e-mail

C express delivery

D fax

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 Which is an advantage of rail over road transport for loads carried over long distances?

A Fuel costs per unit are less.

B Goods are more secure.

C Small loads may be carried cheaply.

D There are rail links to all local areas.

24 What has been an effect of the increased use of containers for transporting goods?

A greater need for warehousing

B higher labour costs

C more damage to goods

D quicker customs clearance

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25 Why do supermarkets need warehouses?

A to avoid paying customs duties

B to increase profits

C to prevent shortages in their shops

D to reduce high advertising costs

26 Which statement is true of a bonded warehouse?

A Goods can be manufactured while they are in the bonded warehouse.

B Imported goods are stored in the bonded warehouse until their duty is paid.

C Imported goods on which duty has been paid are stored in the bonded warehouse.

D Seasonal goods are stored in the bonded warehouse until they are demanded.

27 Which is **not** a requirement for the good organisation of a warehouse?

A accurate stock control

B cash and carry on sales

C efficient distribution of goods

D protection of goods from theft

28 Mrs Sing owns a business.

Which of the following is she **not** able to insure because she has no insurable interest?

A customers who visit her business

B loss of profits because fire has destroyed her factory

C offices she is renting from a local businessman

D workers in her business

29 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?

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

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30 What is paid into an insurance pool?

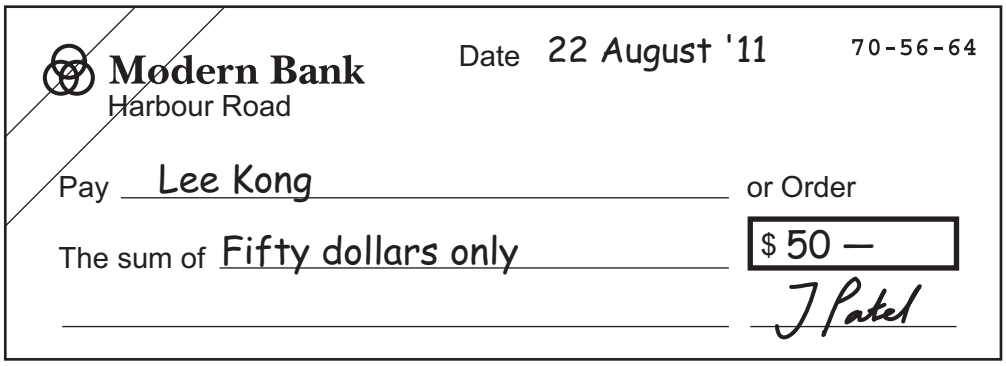
A compensation

B dividends

C interest

D premiums

31 The diagram shows a cheque.



Why is Lee Kong unable to cash this cheque?

A It is a blank cheque.

B It is a crossed cheque.

C The cheque is unsigned.

D The words and figures do not agree.

32 Which banking service is used if money is urgently required overseas?

A bank draft

B cheque

C direct debit

D electronic transfer

33 $400 is invested into a bank savings account at a rate of interest of 5% per year.

What is the total amount of interest gained after one year?

A $1.25 **B** $20 **C** $80 **D** $2000

34 Which activity is carried out more easily by a small firm than by a large firm?

A adapting to change

B buying in bulk

C raising finance

D undertaking expensive research

35 Raj and Kenni are partners in a small business selling dental products.

Which advantage will they benefit from if they change the partnership into a private limited company?

A They will be able to keep their trading accounts and financial affairs confidential.

B They will be able to raise capital by selling shares to members of the public.

C They will not have to provide collateral security if they wish to take out a bank loan.

D They will not have to sell their personal possessions if they cannot pay their creditors.

36 To which type of business organisation do all these features apply?

- liability for business debt limited to shareholder investment
- trading of shares on a stock exchange
- publication of balance sheet and profit and loss account

A franchise

B partnership

C private limited company

D public limited company

37 Mrs Kadye owns a wholesaling business supplying many retailers. She has warehouses in several parts of the country.

Which will be the **most** important factor she should consider when siting a new warehouse?

A availability of raw materials

B good road links to retailers

C nearness to manufacturers

D size of the local market

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38 What is the **most** important consideration when deciding to lease a computer?

A cost of supplies and staff training

B frequent updating because of rapid technological change

C need for ownership of the computer

D variety of tasks the computer is to be used for

39 A retailer buys new goods for resale and pays for them using an overdraft.

What effect will this have on the retailer's working capital?

A The working capital will be the same as before.

B The working capital will be unknown until the goods are sold.

C The working capital will decrease.

D The working capital will increase.

40 The diagram shows sources of finance available to JA's Cola Corporation, a large company that wants to expand overseas.



Which of these sources of finance should the company choose if it wishes to avoid paying interest?

A bank loans

B debentures

C mortgages

D shares

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