UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **October/November 2012**

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

* 2 1 6 6 3 1 4 9 4 9 *

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.

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1 At which stage is production completed?

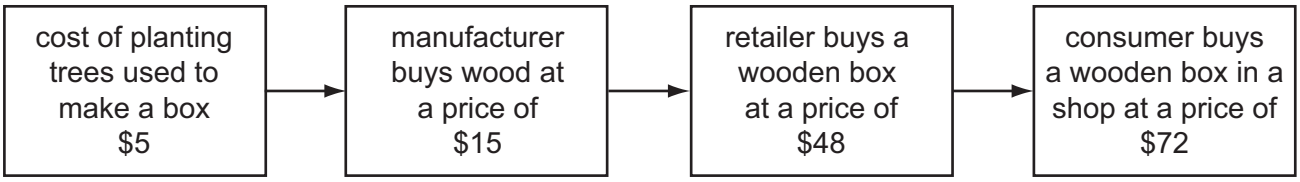
A when goods are manufactured

B when goods are used by the consumer

C when goods reach the consumer

D when goods reach the retailer

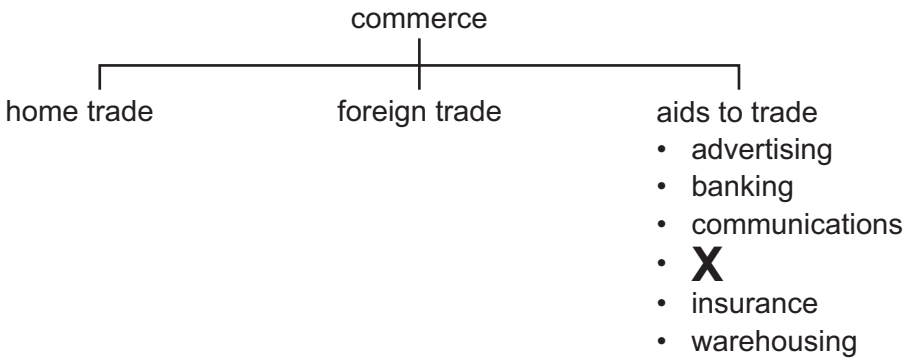
2 The diagram below shows a chain of production for a wooden box.



How much value does the manufacturer add in the making of the wooden box?

A $10 **B** $20 **C** $24 **D** $33

3 Below is an incomplete diagram showing the structure of commerce.



Which item, marked **X**, is missing from the list of the aids to trade?

A direct services

B retail trade

C transport

D wholesale trade

4 Why are there more new businesses in retailing than in manufacturing?

A Fewer skills are required to run a retail outlet.

B More capital is required to start retail trading.

C Retailers can obtain bank loans without collateral security.

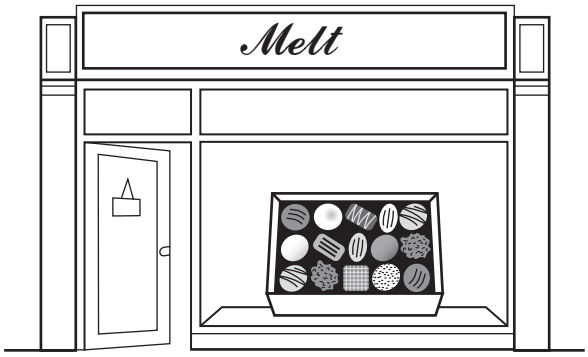
D Retailers require larger premises than manufacturers.

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5 The diagram shows two retailers, each selling only one main product.



bridal gowns



handmade chocolates

What is this type of shop called?

A hawker stall

B hypermarket

C specialty shop

D variety chain store

6 Why might a customer wish to shop online rather than use telephone shopping?

A She can discuss her requirements with a shop assistant.

B She can pay using a credit card.

C She can see pictures of the goods she wishes to order.

D She is not charged for postage and packing.

7 What is meant by credit?

A buying now, paying later

B buying now, paying less

C paying later, paying less

D paying now, having later

8 Why does a government introduce consumer protection laws?

A Consumers need safeguarding from unscrupulous traders.

B Consumers want a bargain when buying a product.

C Retailers are assisted to trade legally.

D Retailers can make profits from consumers.

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9 Controls on advertising are supported by

A codes of advertising practice.

B collective advertising.

C public liability insurance.

D television programmes.

10 What is the main service provided by a wholesaler?

A advice for consumers

B after-sales service

C breaking bulk

D mail order selling

11 What is a reason for the decline in the importance of the wholesaler?

A greater consumer demand

B increased number of independent retail shops

C less theft and damage

D more packaged and branded goods

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12 The diagram shows the channel of distribution used by a Chinese manufacturer to export toys to Europe.



What does **X** represent?

A an export agent in Europe

B an import agent in Europe

C the manufacturer's bank in China

D the port authorities in China

13 Which item is **not** included in an order?

A catalogue number of each item

B cost of carriage of the goods

C description of each item

D names and addresses of buyer and seller

14 "2.5 % 1 month" is printed on an invoice totalling $100.

What does this mean?

A $2.50 is paid each month.

B $2.50 was underpaid last month.

C $97.50 is paid if the invoice is settled within one month.

D $102.50 is paid if the invoice is settled within one month.

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15 Why might a wholesaler offer cash discount to a retailer?

A to encourage the retailer to make prompt payment

B to encourage the retailer to buy in bulk

C to persuade the retailer to pay cash immediately

D to persuade the retailer to return empty packing cases

16 Which statement describes what happens in an entrepôt port?

A Imported goods are not subject to customs duties.

B Imported goods are stored before re-export without payment of customs duties.

C Importers may store goods in bonded warehouses free of any storage charges.

D Quotas are imposed on the imported goods that compete with home industries.

17 What is a function of a customs authority?

A to collect income tax from importers

B to compile statistics on imports and exports

C to maintain seaports and airports

D to set the rates of customs duty

18 Why do developing countries want to keep some import tariffs?

A to encourage the import of cheap foreign food

B to prevent the entry of illegal goods through smuggling

C to protect their farmers from cheap foreign food imports

D to put an embargo on the import of goods and services

19 What is the aim of most advertising?

A to create employment

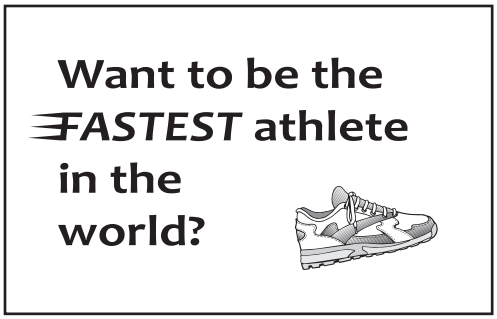
B to persuade customers to buy

C to provide consumer choice

D to reduce costs

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20 This advertisement is for sports shoes.



Which method of appeal would be best for this advertisement?

A ambition

B friendship

C hero worship

D social acceptance

21 What is the **main** reason for the growth of advertising on the Internet?

A Advertisers' websites are very cheap to set up.

B Consumers can order goods any time using the Internet.

C Every household has access to the Internet.

D Internet users like watching the advertisements.

22 Why are communications important in the global economy?

A for speed of transmission

B for using satellite links

C to keep efficient records

D to send email attachments

23 Which person would be most likely to use the postal service called Poste Restante?

A a clerk on a month's leave at home

B a city mayor on a holiday weekend

C a doctor visiting a patient at her home

D a salesperson working in an outlying area for a month

24 Which method of transport would be used to send oil from an inland well to a port located 500 km from it?

A pipeline

B rail

C road

D waterway

25 What is meant by 'a bill of lading is a quasi-negotiable instrument'?

A Goods do not belong to any one person.

B Goods have been paid for and collected.

C Ownership of the goods is transferable.

D The importer has claimed the goods.

26 What is a responsibility of a port authority?

A checking the movement of people coming into and going out of the country

B maintaining runways and hangars for aircraft

C providing office space and warehouses

D supervising the movement of imported and exported goods

27 What is required for the good running of a warehouse?

A cash and carry on all sales

B efficient distribution of goods

C manufacturing facilities for goods

D refrigeration for all foods

28 Imports may be stored in a bonded warehouse if

A the importer wishes to delay payment of customs duty.

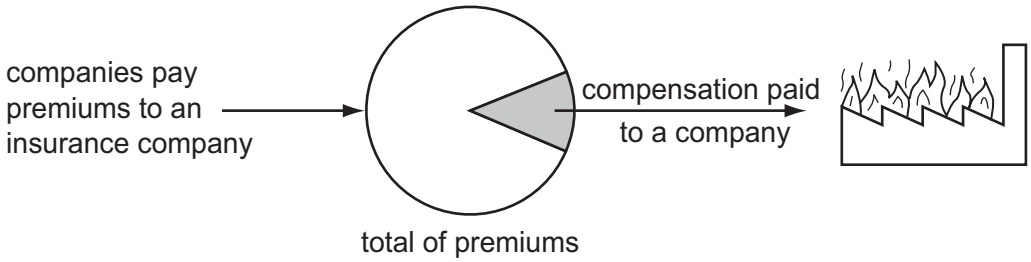
B the rightful owner is not known.

C they are required as security for a loan.

D they are smuggled goods seized by customs officers.

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29 What aspect of insurance does the diagram show?



A arranging a policy

B assessing a risk

C insurable interest

D pooling of risks

30 You are applying for life insurance cover.

Failure to inform the insurance company that you are suffering from a serious illness is a breach of

A indemnity.

B insurable interest.

C subrogation.

D utmost good faith.

31 A fire has destroyed the insured house owned by Mr Maboto.

What is the first thing he should do when making an insurance claim?

A complete a proposal form

B contact his insurance company

C hire an assessor

D refer to his cover note

32 What is a function of commercial banks?

A acting as bankers to government

B deciding interest rates for savers and borrowers

C lending to businesses and personal customers

D organising import and export trade

33 A customer has an agreed overdraft facility of $200. She has received a bank statement showing the balance of the account to be $120 overdrawn. The account was later credited $50.

What is the new balance of her account?

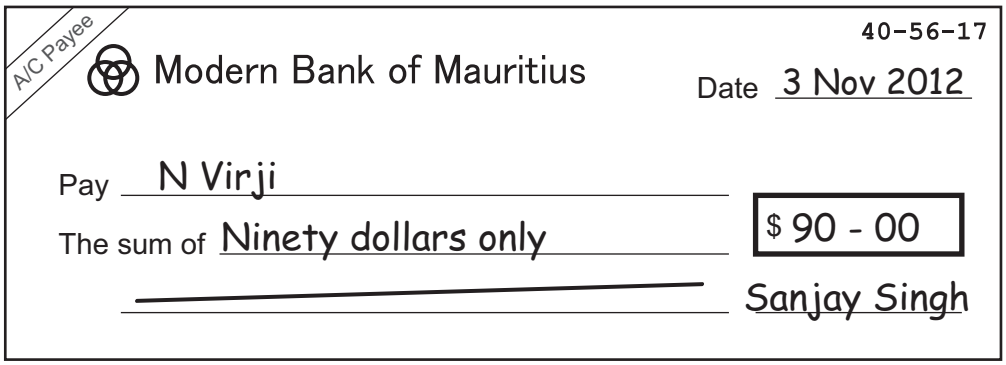
A $170 overdrawn

B $70 overdrawn

C $170 credit

D $250 credit

34 This diagram shows a cheque.



Who is the drawer of this cheque?

A A/C Payee

B Modern Bank of Mauritius

C N Virji

D Sanjay Singh

35 Which type of business organisation is **not** in the private sector?

A partnership

B private limited company

C public limited company

D public utility corporation

36 What is an advantage to a country of having a multinational company operating within its borders?

A different standards and customs might be introduced

B local workforce can be employed cheaply

C profits would leave the country

D supplies might be bought from local companies

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37 JK (Pvt) Ltd is a successful company.

Why would the owners decide to turn JK (Pvt) Ltd into a public limited company?

A to avoid publication of its financial affairs

B to enjoy the benefits of limited liability

C to have better control of the company's affairs

D to obtain more capital for expansion

38 Which source of finance would be **most** suitable for a large company planning to modernise its manufacturing equipment?

A bank loan

B debt factoring

C overdraft

D trade credit

39 Jamal asks for a bank loan to purchase a truck.

What evidence must he produce for the bank to grant him a loan?

A proof of an accident-free driving record

B proof of assets as security

C proof of his marketing skills

D proof that his bank account contains money

40 A trader has the following results:

sales	$800 000
cost of sales	$650 000
expenses	$90 000

What is the net profit?

A $60 000 **B** $150 000 **C** $540 000 **D** $710 000

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