UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **October/November 2013**

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 6 9 7 4 5 2 7 5 5 *

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.
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.

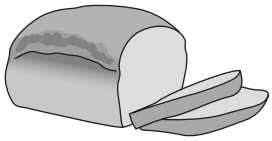
Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.
The businesses described in this question paper are entirely fictitious.

This document consists of **10** printed pages and **2** blank pages.

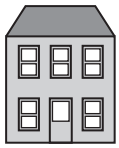
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1 Which of the following is a human want?

A



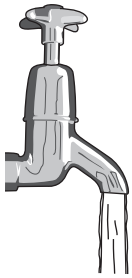
B



C



D



2 In which stage of production is the construction industry classified?

A direct services

B primary

C secondary

D tertiary

3 Advertising, banking and insurance are collectively known as

A commercial services.

B distribution.

C essential services.

D trade.

4 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

5 What is a feature of a multiple chain store?

A centralised purchasing

B less than five branches

C many departments

D wide range of services

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6 Which action is a small-scale retailer **most** likely to take to compete with large-scale retailers?

A buy goods directly from manufacturers

B obtain supplies from a cash and carry warehouse

C provide a large range of goods

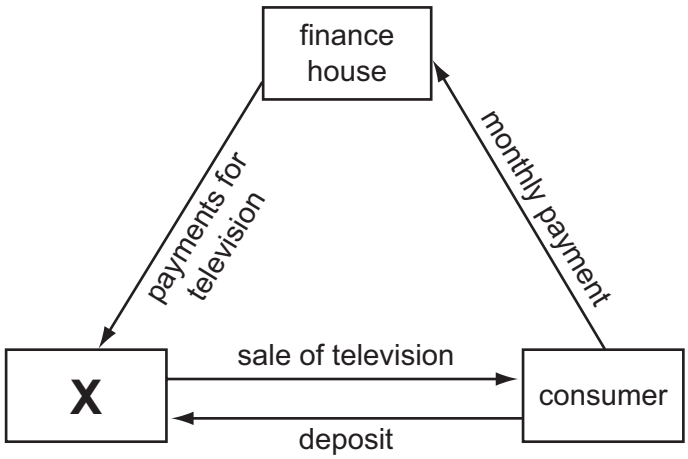
D purchase goods in larger quantities

7 Saranjit wishes to purchase a motorbike that costs $1200. She cannot afford to pay immediately. Under the terms of a credit agreement offered by the retailer, she will pay a deposit of $200 and then pay off the rest of the purchase price plus 10% interest in 12 equal instalments.

If Saranjit accepts the offer of a credit agreement, how much will she pay for the motorbike?

A $1000 **B** $1100 **C** $1300 **D** $1320

8 The diagram shows the financing of a television bought using a hire purchase agreement.



Identify **X** in the diagram.

A creditor

B investor

C manufacturer

D retailer

9 What is **not** covered by consumer protection legislation?

A customer exploitation

B dangerous products

C misleading advertisements

D seasonal price changes

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10 What is the advantage to a manufacturer of using the channel of distribution shown?

manufacturer → wholesaler → retailer → consumer

A The goods reach the consumer quickly.

B The manufacturer must store the goods.

C The manufacturer's distribution costs are reduced.

D The selling of goods is controlled by the manufacturer.

11 What is a function of the wholesaler but **not** of the small retailer?

A breaking bulk

B displaying goods

C offering loss leaders

D providing informal credit

12 In which order would the commercial documents concerning the purchase of goods be used?

	first →			last
A	order	invoice	quotation	statement
B	order	quotation	invoice	statement
C	quotation	order	invoice	statement
D	quotation	order	statement	invoice

13 A trader receives an invoice for $800 and is allowed 5% cash discount for payment within 7 days.

If the trader immediately paid the invoice, how much would he pay?

A $40 **B** $760 **C** $800 **D** $840

14 What is meant by the term mark-up?

A a reduction in the list price given for a product

B discount offered for payment in cash

C the profit margin on a product offered for sale

D total sales less returned goods

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15 What is a function of a customs authority?

A ensuring efficient handling of imports and exports

B keeping statistical records of imports and exports

C maintaining ports and airports

D providing storage for dutiable imported goods

16 How do trading blocs, such as ASEAN and SADC, help to increase trade?

A by ensuring that member countries export enough to pay for imports

B by imposing quotas on member countries

C by reducing the need for customs authorities

D by removing import tariffs among member countries

17 Which of the following would help exporters to reduce their difficulties in trading?

A freight forwarders

B regional distribution centres

C retailing

D wholesaling

18 This advertisement aims to attract franchisees to buy a franchise from Roadmaster Ltd.

Franchising opportunities from
Roadmaster Ltd
For tyres and batteries – supplies and fitting

Are you
an experienced motor mechanic?

Contact Sara on 044 777 8888
to talk about a franchise deal!

Which advertising medium should Roadmaster Ltd use for its advertisement?

A local radio stations

B magazines for motor car enthusiasts

C national motor trade magazines

D national television channels

19 A manufacturer of soft drinks has decided to advertise on the Internet.

This is because

A computer users can block unwanted messages by installing security software.

B instructions can be given on how to use the products.

C market coverage is limited to those who surf the Internet.

D the advertisement can appear on popular websites and homepages.

20 What is essential for trade to take place between a manufacturer in Asia and a retailer in Europe?

A a buyer in Asia working for the retailer

B an agent based in Europe working for the manufacturer

C a quota system operating in Europe

D rapid and accurate communication between Asia and Europe

21 What is an advantage to a company of using videoconferencing?

A accommodation expenses are saved

B an answering machine can be used

C a written message is received

D information can be reprinted

22 Which postal service would be **most** suitable for a firm requiring proof of posting but neither compensation nor proof of receipt?

A business reply service

B certificate of posting

C express delivery

D registered post

23 Iron ore is being carried from Australia to Pakistan.

Which method of sea transport is likely to be used to carry this iron ore?

A bulk carrier

B container ship

C roll-on, roll-off ferry

D tanker

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24 What is an advantage to transport companies of using toll roads?

A paying the charges for using the roads

B providing quicker routes for travel

C raising government money for road building

D reducing speed on major roads

25 Which service is provided for an air freight company by an airport authority?

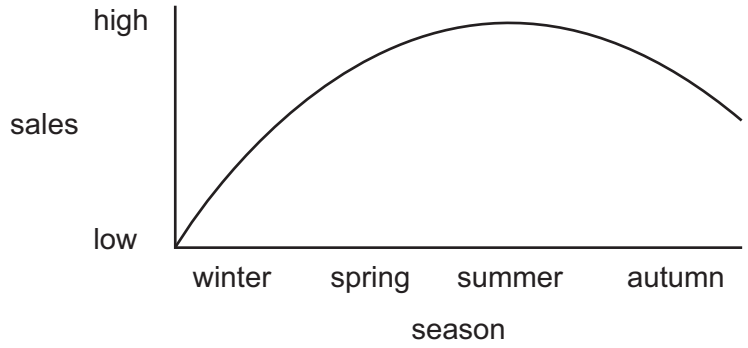
A collection of customs duties

B duty-free shopping

C hire of aircraft

D warehousing of goods

26 The graph shows the sales of Product X.



What is product X **most** likely to be?

A bread

B cars

C heating fuel

D ice cream

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

A delivery of goods is offered

B fewer goods are stored

C no credit is offered

D they sell food and household goods

28 Which type of warehouse would an importer of tea need to run his business efficiently?

A bonded

B cold storage

C public

D retailer distribution centre

29 What is the basis of insurance?

A average clause

B pooling of risk

C proximate cause

D subrogation

30 After an insured risk has occurred, what would **not** be covered by consequential loss?

A expenses involved in renting temporary premises

B financial loss arising from dishonest employees of the firm

C loss of profits to the owner of the business

D payment of taxes and mortgage on the damaged premises

31 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

32 Tariq's new sports car is worth $30 000 but he has insured it for $24 000. Yesterday the car was involved in an accident and will cost $15 000 to repair.

If Tariq claims on his policy, what is the maximum amount that the insurance company is likely to pay out?

A $9000 **B** $12 000 **C** $15 000 **D** $18 750

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33 A night safe is used for the safekeeping of

A cheque books when they are not in use.

B jewellery and important documents.

C money collected after banking hours.

D money deposited during the day.

34 Banks provide automatic teller machines (ATMs) at which customers can use debit cards to obtain cash.

For which other purpose can a customer use an ATM?

A checking the balances of accounts

B exchanging bank notes for coins

C organising a personal loan

D requesting an interview at the bank

35 Which banking service is **not** available on the Internet?

A obtaining a bank statement

B paying into creditors' bank accounts

C using direct debits

D withdrawing cash

36 Who owns a public sector enterprise?

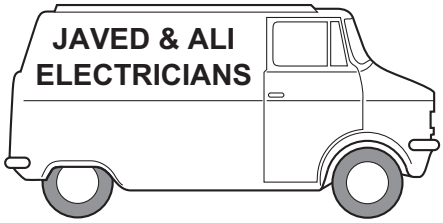
A private individuals

B shareholders

C the management

D the state

37 Which type of business is **most** likely to own the van shown in the picture?



A partnership

B private limited company

C public limited company

D sole trader

38 What is an advantage of franchising to the **franchisee**?

A Financial support and training are available.

B Only products approved by the franchisor can be sold.

C Royalty payments are based on sales.

D The franchisor's business expands in a short time.

39 Anand wishes to buy a van for use in her business. She has decided to finance the purchase by using hire purchase.

Why is hire purchase the best source of finance for Anand to use?

A Interest rates will be lower than for all other sources of finance.

B No interest is paid on the purchase.

C She can use the van and spread the repayments.

D She will repay the debt within 30 days.

40 The table shows figures taken for the year 2012 from a trader's accounts.

	$
gross profit	20 000
net profit	12 000
cost of goods sold	80 000
cost of average stock	10 000

What is the rate of turnover?

A 2 **B** 4 **C** 8 **D** 10

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