Cambridge
O Level

**Cambridge International Examinations**
Cambridge Ordinary Level

**COMMERCE** **7100/11**

Paper 1 Multiple Choice **October/November 2014**

**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

* 7 7 1 7 5 2 7 0 7 6 *

**READ THESE INSTRUCTIONS FIRST**

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

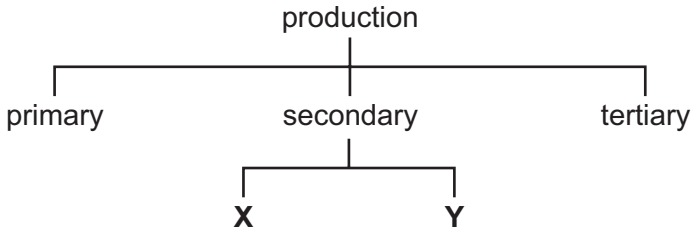
**Read the instructions on the Answer Sheet very carefully.**

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.



IB14 11_7100_11/3RP
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**1** The diagram shows stages of production.




What do **X** and **Y** represent?

**A** commerce and direct services

**B** extraction and processing

**C** manufacturing and construction

**D** trade and aids to trade

**2** Why are commercial services essential to a motorcycle manufacturer?

**A** They assist the manufacturer to get the motorcycles to the consumer.

**B** They control the quality of the motorcycles produced.

**C** They organise workers needed in the motorcycle factory.

**D** They produce the raw materials necessary for making motorcycles.

**3** Which service is carried out by the retailer to help **both** the customer **and** the manufacturer?

**A** having conveniently sited shops

**B** helping goods to be cleared from the factory

**C** offering informal credit

**D** providing after-sales service

**4** To what does the term ‘loss leader’ refer?

**A** advertising

**B** bad debts

**C** low-priced goods

**D** management failure

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**5** What would be an advantage to a retailer of having a vending machine situated outside his shop?

**A** able to give advice

**B** available 24 hours

**C** can exchange goods

**D** gives cheaper prices

**6** The following headlines have recently appeared in the local newspapers.

**More city superstores to open soon**

**Supermarket price war keeps consumers happy!**

**Small-scale retailers look for ways of cutting costs**

The small-scale retailer can cut costs to survive competition from the supermarkets by

**A** giving extra personal services to customers.

**B** joining a voluntary chain which bulk buys from manufacturers.

**C** offering credit to regular customers.

**D** working longer hours so as to reduce staff.

**7** Which statement explains why retailers offer credit to consumers?

**A** to decrease retailers' costs

**B** to decrease consumers' incomes

**C** to increase consumers' debts

**D** to increase retailers' sales

**8** Why do customers need safeguarding by consumer protection law when buying products?

**A** Customers may not be able to read or write.

**B** Customers may want to return products if they do not like them.

**C** Products are becoming more complex and technical.

**D** Products are sold in too much packaging.

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

**A** clearing goods from the manufacturer

**B** financing production

**C** offering trade discount

**D** steadying supply and prices

**10** MEL is a large supermarket chain which sells many of its own branded goods.

Which channel of distribution enables MEL own branded goods to reach consumers?

**A** producer → consumer

**B** producer → regional distribution centre → retailer → consumer

**C** producer → sole agent → retailer → consumer

**D** producer → wholesaler → retailer → consumer

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

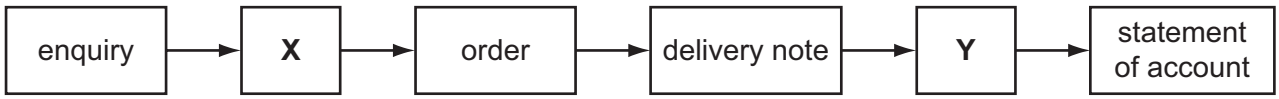
**A** broker

**B** factor

**C** insurer

**D** merchant

**12** The sequence of documents used for a business transaction between two firms is shown.




Which documents fit the **X** and **Y** boxes to make the sequence complete?

| | X | Y |
|---|---|---|
| **A** | credit note | invoice |
| **B** | invoice | credit note |
| **C** | invoice | quotation |
| **D** | quotation | invoice |

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**13** High Fashion Wholesalers prepared a statement of account for Lee Trading.

**STATEMENT OF ACCOUNT**

**HIGH FASHION WHOLESALERS**
**TRENDY ROAD**
**LONDON**

**To** Lee Trading
110 Main Road
London

**Month Ending** August 31 2014

| DATE | DETAILS | DEBIT | CREDIT | BALANCE |
|---|---|---|---|---|
| | | $ | $ | $ |
| Aug 1 | balance owed | | | 500 |
| Aug 6 | cheque no. 652 | | 425 | 75 |
| Aug 6 | cash discount | | 75 | 0 |
| Aug 12 | invoice no. 146 | 600 | | 600 |
| Aug 22 | invoice no. 210 | 900 | | 1500 |
| Aug 26 | credit note no. 20 | | 80 | 1420 |
| Aug 29 | sales | 300 | | |

How much did Lee Trading owe High Fashion Wholesalers on August 31?

**A** $1120 **B** $1720 **C** $1800 **D** $4095

**14** A trader buys goods worth $4000 on credit and receives 20% trade discount and 10% cash discount.

How much is the trade discount?

**A** $400 **B** $800 **C** $3200 **D** $3600

**15** Enver has been selling ice creams for $0.80 from his market stall. He buys them at a cost price of $0.50.

A supermarket is now selling the ice creams for $0.60.

If Enver is to match the supermarket's selling price, what would be his percentage mark-up?

**A** 20% **B** 25% **C** 30% **D** 67%

**16** Which statement is likely to be true for countries belonging to a trading bloc?

**A** common price structure for goods across the whole market area

**B** common working practices between member states

**C** identical health and safety standards between member states

**D** vast market area in which to trade

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**17** Which statement describes entrepôt trade?

**A** importation of duty-free goods

**B** importation of goods for re-export

**C** importation of previously exported goods

**D** preferential trade between three countries

**18** Four export managers are in conversation.

Which export manager is likely to encounter the **least** difficulty selling products?

**A**



In countries which buy our goods the currency exchange rates frequently change.

**B**



The country which buys most of our goods has increased some of its tariff barriers.

**C**



The market for our goods is worldwide. The documentation can be complicated.

**D**



We sell all our goods within the trading bloc of which my country is a member.

**19** Why do firms advertise?

**A** to even out prices

**B** to fight competition

**C** to increase prices

**D** to mislead customers

**20** What is sales promotion?

**A** generic advertising of products

**B** methods of pricing products

**C** plans for increasing long-term sales

**D** strategies to attract customers

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**21** Which service can be used to hold a face-to-face meeting between people in different places?

**A** email

**B** radio paging

**C** teleconferencing

**D** videoconferencing

**22** Which group contains **only** telecommunications services?

**A** intranet, email and teleconferencing

**B** paging, business reply and mobile phone

**C** telephone, airmail and express delivery

**D** videoconferencing, Internet and letter post

**23** A salesperson is planning to travel to several cities but has not yet reserved hotel accommodation.

Which post office service will enable the salesperson to collect any correspondence sent during this time?

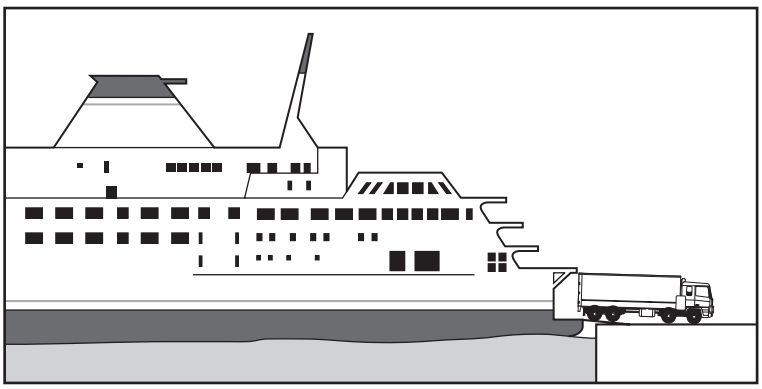
**A** airmail

**B** business reply

**C** poste restante

**D** private box

**24** The picture shows a roll-on, roll-off ferry.



What is the advantage of using this type of ship to move goods?

**A** Goods can be transhipped without unpacking.

**B** It is suitable for sending low value goods in bulk.

**C** The goods cannot be lost in transit.

**D** There is no need for customs officers.

**25** A supplier sends goods using his own transport.

Which document would be sent with the goods?

**A** catalogue

**B** consignment note

**C** delivery note

**D** receipt

**26** What is a function of warehousing?

**A** to allow standardisation of goods to take place

**B** to enable production to take place ahead of demand

**C** to ensure market outlets for producers

**D** to provide space for the manufacture of goods

**27** Which product would be stored long-term in a warehouse?

**A** bread

**B** newspapers

**C** soap

**D** tomatoes

**28** Goods must be stored in a bonded warehouse when

**A** customs duty is payable.

**B** goods need blending.

**C** the exporter has received payment.

**D** transport needs to be arranged.

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**29** Ali Khan has obtained the following information about insuring the factory that he owns. It is valued at $1 m and is located in Area 1.

| Building Insurance ($)<br>Annual premium for every $10 000 insured | | | | |
|---|---|---|---|---|
| Insurance Company | Area | | | |
| | 1 | 2 | 3 | 4 |
| R | 5 | 6 | 7 | 8 |
| S | 6 | 7 | 8 | 9 |
| T | 4 | 6 | 8 | 10 |
| U | 4 | 5 | 6 | 8 |

How much would Ali pay each year to insure his factory using Insurance Company T?

**A** $400 **B** $500 **C** $600 **D** $800

**30** Sally insured her motorcycle against theft. Yesterday it was stolen.

Which document must she complete to apply for compensation from her insurers?

**A** claim form

**B** compensation report

**C** cover note

**D** proposal form

**31** How does a bank night safe assist a local retailer?

**A** allowing cash to be drawn after banking hours

**B** paying interest on savings deposited

**C** safeguarding takings when the bank is closed

**D** storing important documents

**32** What is the safest and quickest way of sending money to someone in another country?

**A** cheque

**B** electronic transfer

**C** money order

**D** registered post

**33** Why might a bank manager wish to see a company's accounts before deciding whether or not to grant a loan?

**A** to check the amount of security against the loan that the company can offer

**B** to find out if the accounts are accurate

**C** to make sure that the company has paid tax

**D** to see the number of shareholders the company has

**34** In modern banking, what does ETF stand for?

**A** electronic transaction of finance

**B** electronic transaction of funds

**C** electronic transfer of finance

**D** electronic transfer of funds

**35** How are the profits and losses in a partnership shared when there is no partnership deed?

**A** according to the purchases made by each partner

**B** equally amongst all the partners

**C** in proportion to the capital invested

**D** in relation to the hours worked by each partner

**36** How does a private limited company differ from a public limited company?

**A** distribution of profits

**B** liability for losses

**C** ownership of shares is restricted

**D** raising capital in the form of shares

**37** An overdraft is a suitable means of obtaining finance from a bank for

**A** buying a house.

**B** purchasing expensive machinery.

**C** purchasing stock to be sold within a short time.

**D** repairing a large building.

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**38** Which source of finance is the **most** appropriate for a company that wishes to replace its vehicles every two years?

**A** hire purchase

**B** leasing

**C** mortgage

**D** overdraft

**39** Capital used to buy goods for resale is called

**A** capital employed.

**B** fixed capital.

**C** loan capital.

**D** working capital.

**40** A retailer has the following trading figures.

| | $ |
|---|---|
| sales | 750 000 |
| cost of goods sold | 500 000 |
| opening stock | 40 000 |
| closing stock | 60 000 |

What is the retailer's rate of turnover?

**A** 2.5 **B** 5 **C** 10 **D** 15

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