Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

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

* 6 7 6 2 1 6 8 9 6 9 *

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.

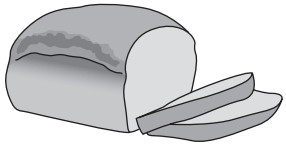
Read the instructions on the Answer Sheet very carefully.

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.

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1 What is a basic need?

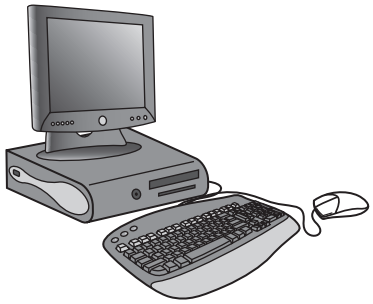
A



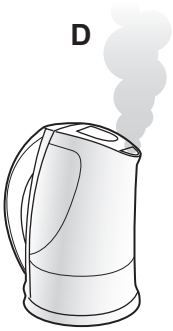
B



C



D



2 Modern societies usually require the contribution of those working in direct services.

Which job is a direct service?

A bank manager

B builder

C doctor

D insurance broker

3 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.

4 The following types of retailer operate in a country.

Which retailer will have branches in many towns and cities?

A Amico Shoes multiple chain

B Basheen department store

C Finefare hypermarket

D Kagiso village bakery

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5 Why do manufacturers brand their products?

A to control levels of stock held

B to distinguish them from similar products

C to guarantee high quality goods

D to protect goods from damage

6 To what does the term 'loss leader' refer?

A advertising

B bad debts

C low-priced goods

D management failure

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 The diagram illustrates a reason for consumer protection.



What is that reason?

A Goods should be legally owned by the seller.

B Goods should be suited to the purpose sold.

C Goods should not be described in a misleading way.

D Goods should offer value for money.

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

A clearing goods from the manufacturer

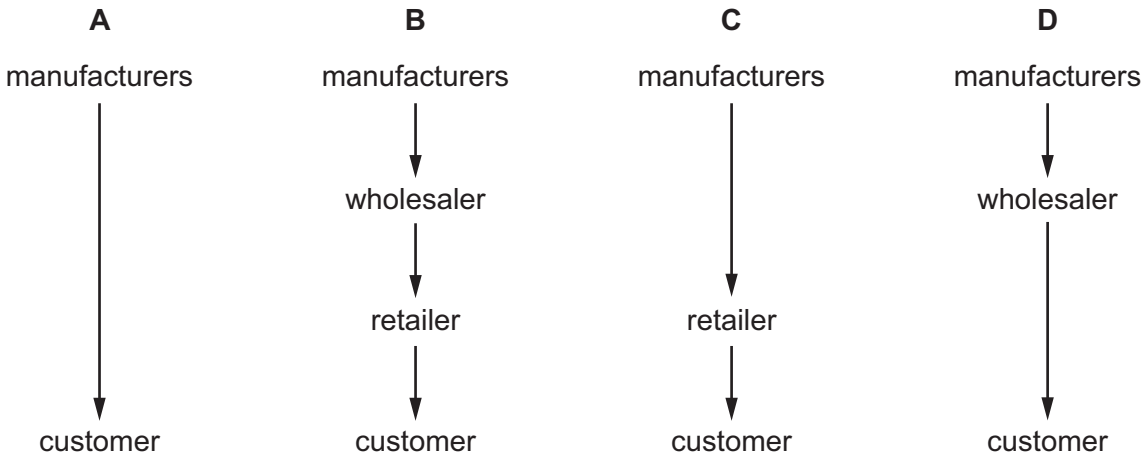
B financing production

C offering trade discount

D steadying supply and prices

10 Four channels of distribution are shown.

What is the most appropriate distribution channel for the selling of bread?



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 What is a purpose of a credit note?

A to decrease the amount owing on the invoice

B to give details of goods returned to the supplier

C to remind customers of the amount due

D to show packing cases have been purchased

13 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

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14 A wholesaler buys televisions from a manufacturer for $120 each. The wholesaler sells them to a retailer for $150 each. The retailer then sells them to customers for $200 each.

What is the wholesaler's percentage mark-up?

A 20% **B** 25% **C** 33% **D** 67%

15 The Balance of Payments on the current account for a country has changed as shown.

Year	$m
2004	–898
2014	4219

Which statement could account for this change?

A Financial services sold to other countries fell.

B Net income from residents living abroad was less.

C The balance of trade worsened.

D The value of invisible imports declined.

16 Which function is **not** carried out by customs authorities at border posts?

A checking the movement of people

B collecting import duties

C inspecting documentation

D supervising the movement of goods

17 What is entrepôt trade?

A arranging trade between two countries

B exporting goods which have previously been imported

C importing duty-free goods only

D selling more cheaply abroad than at home

18 A government imposes a restriction of 100 000 cars to be imported into the country in a year.

What is this restriction called?

A embargo on imports

B import licence

C import tariff

D quota on imports

19 Why do firms advertise?

A to even out prices

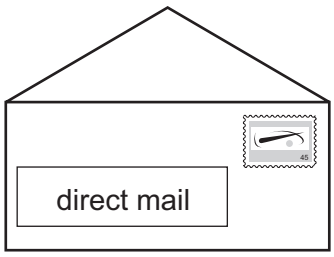
B to fight competition

C to increase prices

D to mislead customers

20 Which advertising medium would be the best way to advertise a local festival?

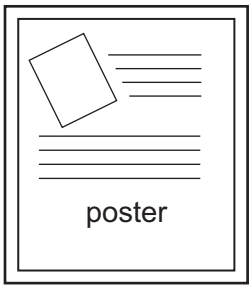
A



B



C



D



21 Which advertisement may be undertaken by a trade association?

A ‘Beautiful women all over the world use Grace beauty soap.’

B ‘Drink more milk and feel great.’

C ‘Fly Island Airlines. A tradition of caring.’

D ‘Shop at AT where the price is right.’

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22 What is an advantage of digital billboards to advertisers?

A They are cheap to set up.

B They attract the attention of passers-by.

C They do not intrude on people's lives.

D They use reliable software.

23 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

24 Which telecommunication service enables a business person to keep in contact with customers and suppliers anywhere and at any time?

A mobile telephone

B fax

C intranet

D voicemail

25 Which postal service would a company use to send a final demand for payment?

A airmail letter

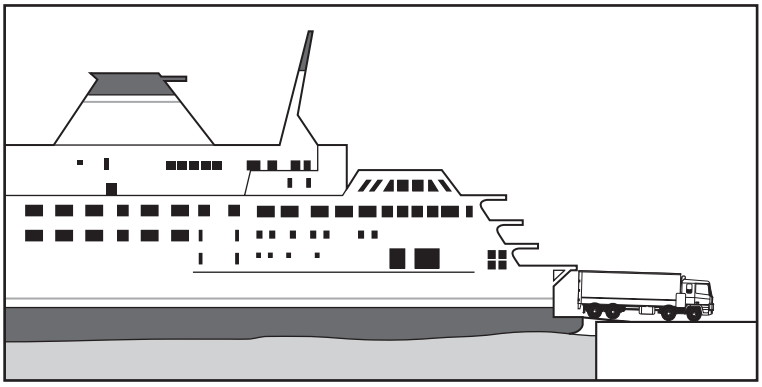
B business reply service

C cash on delivery

D registered post

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26 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.

27 A consignment note is used when goods are

A carried by hired transport.

B delivered in the supplier's vehicle.

C paid for before despatch.

D transported by ship.

28 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

29 Why do hypermarkets use Regional Distribution Centres (RDCs)?

A to avoid paying tax

B to maintain stable prices

C to reduce advertising costs

D to save transport costs

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30 What is the function of a bonded warehouse?

A to allow goods to be re-exported without payment of duty

B to manufacture goods for sale locally

C to provide a place for confiscated and smuggled goods

D to store home-produced goods for packing

31 The following figures were taken from the books of an insurance company in 2013.

	$m
administrative costs	2
average size of the premium pool	7
claims by policy holders	5
investment income	15
premiums received	10

What was the profit made in 2013?

A $2m **B** $5m **C** $10m **D** $18m

32 Which risk would be insurable?

A a new brand of computers that fails to get a market

B a retailer experiencing poor sales due to competition

C a trade show disrupted by rain

D loss of profits due to bad management

33 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

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34 A bank's client receives several bills, which vary in amount, at irregular intervals.

Which method of payment is the most suitable for the client?

A bank giro

B cheque

C direct debit

D standing order

35 What is a feature of a sole proprietorship?

A continuity of ownership

B freedom in decision-making

C limited liability

D unlimited private capital

36 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

37 What is formed when a large company, for a fee and a percentage of turnover, allows a small company to trade using its name?

A franchise

B monopoly

C partnership

D public corporation

38 What is the most likely reason for a government to allow a multinational to set up in its country?

A More jobs will be created.

B Raw materials are available in the country.

C The business produces high quality, expensive goods.

D The multinational may be able to claim tax rebates.

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39 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.

40 In 2013 Mrs Kumar's business had a rate of turnover of five. The business holds an average stock of $50 000 at cost price.

What was the total cost of goods sold in 2013?

A $10 000 **B** $50 000 **C** $200 000 **D** $250 000

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