Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/11**

Paper 1 Multiple Choice **October/November 2015**

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

* 0 8 3 9 7 6 5 4 9 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.

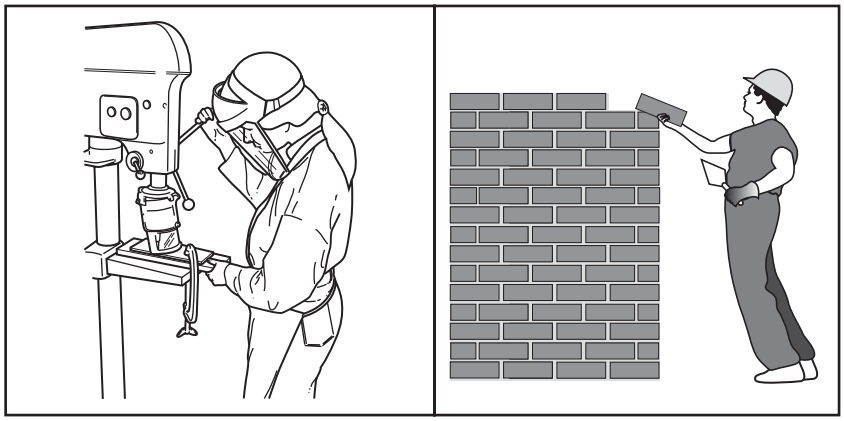
There are **forty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A**, **B**, **C** and **D**.
Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

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.

IB15 11_7100_11/4RP **R**
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1 Which type of productive activity is shown in the pictures?



A commercial

B direct services

C extractive

D secondary

2 A sportswear manufacturer would add value to a tracksuit by

A branding the product.

B giving free delivery to wholesalers.

C increasing the price.

D paying skilled workers.

3 Which of the following is an example of home trade?

A A business in Karachi supplying parts to a car manufacturer in Germany.

B A charity giving clothes to the poor in a large town.

C A supermarket providing goods for customers in a shopping centre.

D A trade fair held in Singapore for overseas visitors.

4 When industry, commerce and direct services rely on each other they are

A interdependent.

B manufacturing.

C mass producing.

D specialising.

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5 Which statement is true of a vending machine?

A It has low maintenance costs.

B It offers personal service.

C It operates twenty-four hours a day.

D It provides a wide choice.

6 Which type of retail outlet would be **most** likely to buy goods from a wholesaler?

A hypermarket

B multiple chain store

C supermarket

D unit retailer

7 What does the picture show?



A bar code

B brand name

C guarantee

D loss leader

8 What is an advantage to a buyer of purchasing on credit?

A Credit agreements are easy to understand.

B Credit is available to anyone.

C Discounts are usually available.

D Payment is postponed until a later date.

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[Turn over

9 Which document shows that a manufactured product may be returned for free repairs within an agreed period of time?

A cover note

B credit note

C guarantee

D quotation

10 Why is the wholesaler being eliminated in some trades?

A Cash and carry warehouses are becoming more popular.

B Large-scale retailing has increased.

C Many small-scale retailers buy in small quantities.

D Self-service is used in many shops.

11 Which product is **most** likely to be sold through a wholesaler?

A a case of canned fish

B a loaf of bread

C a ship produced to an individual design

D a supermarket's own brand products

12 An export business makes use of a freight forwarding company to

A arrange contracts in its own name.

B guarantee payment by the importer.

C organise customs clearance.

D research the market and find customers.

13 What is the correct order of documentation in commercial transactions?

A enquiry → order → invoice → statement

B enquiry → invoice → order → statement

C order → enquiry → invoice → statement

D order → enquiry → statement → invoice

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14 An extract from an invoice received by a retailer is shown below.

20 cases	canned pineapple @ $10 per case	$200
	less 20 % trade discount	$40
	Total	$160

If two damaged cases of pineapple are returned, what should the supplier send to the retailer?

A a credit note for $20

B a credit note for $16

C an invoice for $144

D a receipt for $16

15 A television set is purchased by a retailer for $1500 less 20 % trade discount.

How much profit will the retailer make if the television set is sold for $1400?

A $100 **B** $200 **C** $280 **D** $300

16 When trade between countries increases, which statement is **not** correct?

A Countries tend to be interdependent.

B Governments achieve Balance of Payments surpluses.

C Living standards for people may rise.

D Surplus goods are traded between countries.

17 Which definition describes a trading bloc?

A a group of countries which agree to eliminate all trading restrictions with each other

B a group of countries which control supplies of natural resources to influence world prices

C a large multinational company which tries to monopolise global trade in all its products

D a number of companies which deal in similar products and share advertising costs

18 A manufacturer might prefer to sell goods in its home country rather than abroad because

A factors and brokers must be used.

B insuring against the risks of exporting is difficult.

C setting up an overseas office requires very little expense.

D transport and storage costs are usually lower.

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19 The picture shows an advertisement.



Which type of advertising is **not** shown in the advertisement?

A collective

B competitive

C informative

D persuasive

20 Which medium of advertising will a tractor manufacturer use to give detailed information on a new tractor model to farmers?

A bill boards

B cinema

C television

D trade journals

21 What is a method of sales promotion?

A Internet

B leaflet

C newspaper

D sponsorship

22 Many people use mobile phones rather than landline phones.

What is an advantage of using a mobile phone?

A It can be changed regularly.

B It can be used from many different locations.

C It is difficult to steal.

D It requires a signal to operate.

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23 Mrs Singh has sold some blankets on an Internet auction site.

Which postal service would be **most** suitable to send the blankets to the buyer?

A express mail

B letter post

C parcel post

D poste restante

24 What is a true statement about pipelines?

A Maintenance costs are low.

B The cost of construction is cheap.

C They are affected by the weather.

D They can take any kind of goods.

25 A manufacturer using a transport firm to deliver goods to a retailer would use transport document **X**, as shown in the diagram.



What is transport document **X**?

A consignment note

B delivery note

C quotation

D receipt

26 Which facility is provided at an airport for handling cargo?

A air traffic control

B fire services

C lifting gear

D office accommodation

27 What is a reason for warehousing goods?

A to avoid capital being invested in goods

B to prevent the destruction of goods by fire

C to provide after-sales service

D to supply seasonal demand

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28 Which of the following goods would be **most** likely to be stored in a bonded warehouse?

A coal

B perfume

C sugar

D wheat

29 Which insurance policy covers a customer who is injured on business premises?

A employer's liability

B fidelity guarantee

C personal accident

D public liability

30 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 due to a fire?

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

31 What is a **disadvantage** to a company of introducing direct debiting for payment of bills owed to it?

A Customers need to be informed of changes in the amount to be collected.

B Different amounts of money may be collected at different times.

C The billing system is computerised so money is collected electronically.

D There is a reduction in the amount of bad debts from customers.

32 What do the letters ATM stand for?

A Advanced Telecom Machine

B Automated Telephone Machine

C Automatic Teller Machine

D Automatic Transfer Machine

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33 Why has there been a rapid increase in Internet banking?

A Customers can make use of bank services at home.

B Customers require personal service.

C Internet banking companies provide free gifts.

D The Internet is secure from fraud.

34 Most countries have a mixed economy.

This means the economy has

A a public sector and a private sector.

B both private limited companies and public limited companies.

C businesses involved in exporting and importing.

D workers employed in both agriculture and manufacturing.

35 What is the meaning of the term limited liability?

A Shares are issued to a set total value.

B Shareholders are paid back a percentage of their investment from company profits.

C Shareholders are responsible for debts up to the total of their capital invested.

D Shareholders can buy a limited amount of share capital.

36 Simla Traders is a partnership with four general partners who have each invested $100 000. The partnership is insolvent and there are debts of $800 000 owing to creditors.

What amount must be paid to the creditors by each of the partners?

A $25 000 **B** $100 000 **C** $200 000 **D** $800 000

37 A factory owner needs an expensive piece of machinery.

How can the factory owner obtain the machinery without buying on credit?

A hire purchase

B leasing

C overdraft

D trade credit

38 Mrs Patel calculated that she will need an extra $200 to meet her household bills.

What is the best way for her to meet this shortfall?

A extend her mortgage

B negotiate a hire purchase loan

C request an overdraft

D take out a bank loan

39 Cinnamon Ltd has a shortage of working capital that could make it difficult to pay its employees and suppliers this month.

How should Cinnamon Ltd solve this problem?

A issue shares in Cinnamon Ltd for sale to the public

B reduce its wages and costs

C refuse to supply more products to its customers on credit

D request an increase in its overdraft limit

40 Suzi runs a business selling fashion clothing. An extract from her profit and loss account from last year is shown.

	$000s	$000s
sales revenue		36
cost of sales		
opening stock	4	
add purchases	18	
	22	
less closing stock	3	19
X		17

What is **X**?

A expenses

B gross profit

C net profit

D Suzi's salary

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