Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

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 6 9 4 2 6 1 5 8 4 *

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.

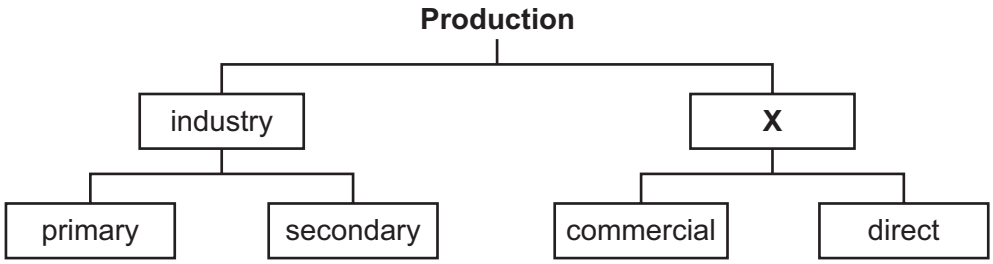
There are **forty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A**, **B**, **C** and **D**.
Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

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_12/4RP
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1 The diagram shows the parts of production.



What is **X**?

A aids to trade

B distribution

C services

D trade

2 José makes leather gloves. He buys the leather from the primary producer.

How does he add value to the leather?

A adding his profit to the finished goods

B buying the leather in bulk

C cutting the leather into the shape of gloves

D storing the gloves until prices rise

3 As a result of specialisation by process, the consumer has less choice of goods to buy. This is because

A factories produce less output of each product.

B goods are more expensive to produce.

C goods take longer to make.

D standardised goods are made.

4 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.

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5 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

6 What does the picture show?



A bar code

B brand name

C guarantee

D loss leader

7 A large-scale retailer is in a better competitive position than a small-scale retailer because

A it buys in bulk direct from suppliers at discounted prices.

B it is located in city centres with high costs, such as rent.

C it offers a narrow range of goods and personal service.

D it provides informal credit to regular customers.

8 Which statement about credit is **not** true?

A Credit enables buyers to purchase expensive goods.

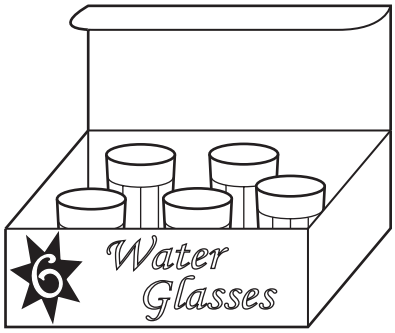
B Impulse buying is encouraged by having credit available to use.

C Offering credit to customers is risk-free for retailers.

D Spending on credit means borrowing against your future income.

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9 The picture shows the box of six water glasses Mrs Sores has just purchased.



Which consumer protection law has been broken?

A consumer credit

B food and drugs

C trade descriptions

D weights and measures

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 Mr Smith runs a small shop. He buys his stock from a cash and carry warehouse. This means that he has to

A buy in very large quantities.

B collect the goods himself.

C make his order via the Internet.

D pay the warehouse monthly using his credit card.

12 Most wholesalers do not operate retail businesses.

What is the reason for this?

A Wholesalers are located in warehouses in industrial areas.

B Wholesalers buy in bulk from manufacturers and clear production lines.

C Wholesalers provide many services to small-scale retailers.

D Wholesalers would be in competition with their own customers.

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13 What are companies that specialise in arranging transport, insurance and customs clearance called?

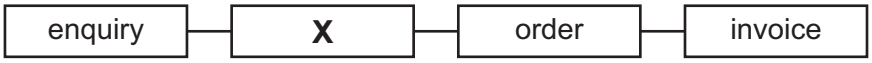
A brokers

B factors

C freight forwarders

D merchants

14 Which document, shown as **X**, completes the chain?



A advice note

B delivery note

C quotation

D statement of account

15 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

16 A manufacturer offers a trader an allowance of 5% on goods purchased if the trader pays the manufacturer's account within 14 days.

What is the name of this allowance?

A bad debt

B cash discount

C loss leader

D net profit

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17 A shopkeeper stocks a range of goods on which the mark-up is 25%.

If each good is sold for $10, at which price have they been bought from the wholesaler?

A $2 **B** $2.50 **C** $8 **D** $10

18 The table compares a country's total exports and total imports for August 2014 and for August 2015.

	August 2014 $m	August 2015 $m
total exports	173	178
total imports	156	152

Which statement is correct?

A Exports increased.

B Imports increased.

C The Balance of Payments declined.

D The Balance of Payments remained the same.

19 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

20 A trader wishes to sell in another country.

Which export difficulty would be overcome by employing a local agent?

A bulk consignments

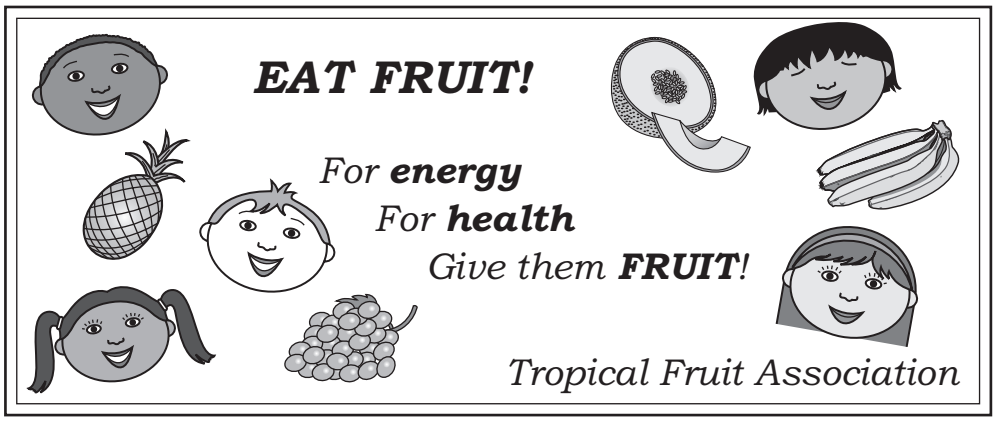
B different languages

C maintaining regular supplies

D raising finance

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21 The picture shows an advertisement.



What types of advertising are being used?

A collective and competitive

B collective and informative

C informative and persuasive

D persuasive and competitive

22 What is the benefit to a retailer of offering loss leaders?

A attracting potential customers to the store

B ensuring that products are of good quality

C helping customers choose a brand

D making the products more expensive

23 Which method of advertising involves several advertisements being scrolled one after the other?

A email marketing

B digital billboards

C pop-up advertising

D web banners

24 Which pieces of information, communicated to consumers, are constantly changing throughout the day?

A customs duties charged at an airport

B prices of new cars in car showrooms

C railway timetables

D world prices of stocks and shares

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25 The ABC Company has many computers linked throughout its offices.

What is the linking of these computers called?

A Internet

B intranet

C telecommunication

D teleconferencing

26 For which consignment would delivery by air transport be suitable?

A a large quantity of iron ore from Australia to Japan

B oil delivered in bulk from the Middle East to the UK

C spare parts for a computer to be sent from London to Cape Town

D the daily delivery of perishable goods to a nearby town

27 What is a benefit of using containers to carry goods?

A Containers can be used for any kind of cargo.

B Insurance for the goods carried is not required.

C Transport costs for bulk cargoes are reduced.

D Trans-shipment of goods can take place without unpacking.

28 Which service is provided by a port authority?

A operating currency exchange

B operating dry dock facilities for the repair of vessels

C providing customs clearance for goods and people

D supervising bonded warehouses

29 What is **not** a function of warehousing?

A ensuring the highest possible prices for goods

B keeping prices stable

C protecting goods from bad weather conditions

D reducing shortages of seasonal goods

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

A coal

B perfume

C sugar

D wheat

31 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

32 A retailer's stock is worth $60 000. He insures it for $40 000. Goods to the value of $45 000 are stolen.

How much should the insurance company pay him?

A $30 000 **B** $40 000 **C** $45 000 **D** $60 000

33 Mr Shah uses a van to deliver orders to customers.

What information would be used in the calculation of the insurance premium for this van?

A How frequently the van is serviced.

B How many deliveries are made by Mr Shah.

C How many motoring accidents Mr Shah has had in the past.

D How Mr Shah obtained the finance necessary to buy the van.

34 Which document, used in international trade, ensures that an exporter will receive payment?

A air waybill

B bill of exchange

C bill of lading

D letter of credit

35 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.

36 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.

37 Which factor is **most** likely to influence the location of a shopping centre?

A availability of raw materials

B distance from suppliers

C local labour supply

D nearness to centres of population

38 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

39 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

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40 Ceri has provided the following information about her business.

	$
purchases	20 000
returns	1000
closing stock	5000

What is the cost of goods sold?

A $14 000 **B** $15 000 **C** $16 000 **D** $21 000

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