Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/11**

Paper 1 Multiple Choice **October/November 2016**

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

* 8 8 2 2 0 8 4 3 7 0 *

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.

IB16 11_7100_11/3RP
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1 What does the term commerce describe?

A aids to trade and direct services

B direct services and industry

C industry and trade

D trade and aids to trade

2 Division of labour in a firm leads to

A diseconomies of scale.

B longer working hours for the workforce.

C standardisation of products.

D the workforce being multiskilled.

3 Industry, commerce and direct services are all needed for production because

A they are dependent on each other.

B they exist to create specialisation.

C they provide services to each other.

D they sell goods to each other.

4 Which function is **not** performed by a retailer?

A displaying goods

B grading goods

C manufacturing goods

D supplying goods

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5 The picture shows a plastic card used by consumers.



Which type of card is shown?

A cash and carry card

B credit card

C debit card

D loyalty card

6 What is the **main** disadvantage of e-commerce to the customer?

A danger of credit card fraud

B power failure during a transaction

C retailer running out of stock of the items ordered

D wrong goods supplied by the retailer

7 Many people obtain credit from their local shops.

What is this called?

A cash discount

B lay-by

C leasing

D overdraft

8 Problems with faulty goods have led to the growth of

A consumer protection.

B insurance.

C mail order.

D persuasive advertising.

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[Turn over

9 John purchased a lawnmower. After three weeks it would not work.

Under which Act does John have the right to return the lawnmower to the store?

A Consumer Credit Act

B Sale of Goods Act

C Trade Descriptions Act

D Weights and Measures Act

10 What is a reason for the decline in the importance of the wholesaler?

A greater consumer demand

B increased number of independent retail shops

C less theft and damage

D more packaged and branded goods

11 A business that usually sells only in the home market receives an unexpected order from abroad.

What would be the **most** appropriate way for the business to ensure the importer receives the order in good condition and on time?

A appoint a forwarding agent

B ask the importer to make its own transport arrangements

C contact an export merchant

D use its own marketing department

12 In which order are trade documents **most** likely to pass between a buyer and a seller?

A quotation → invoice → order → cheque → statement

B quotation → invoice → order → statement → cheque

C quotation → order → invoice → cheque → statement

D quotation → order → invoice → statement → cheque

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13 The diagram shows part of a credit note.

CREDIT NOTE			
		Date:	
Description of Goods	Quantity	Unit Price	Total

How is the document used?

A The buyer sends it to the supplier after goods have arrived damaged.

B The buyer sends it to the supplier's bank to pay for goods supplied.

C The supplier sends it to the buyer after goods have been returned damaged.

D The supplier sends it to the buyer's bank to cancel overpayments.

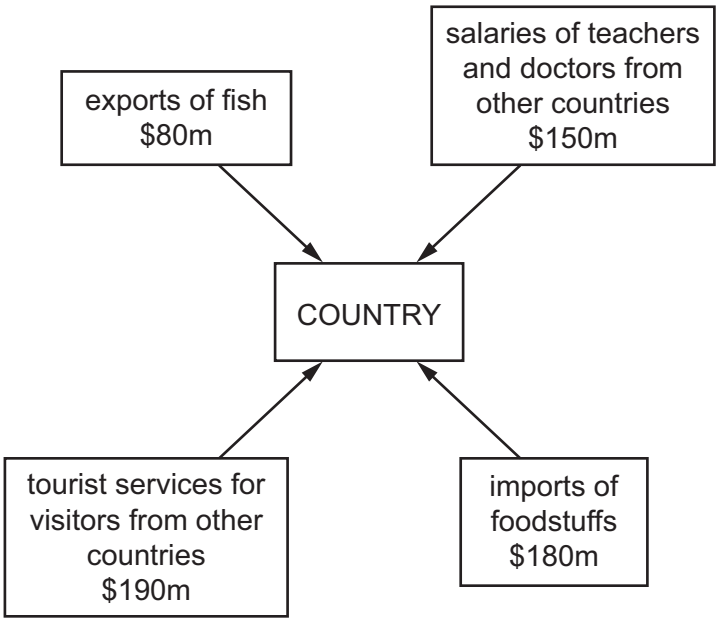
14 Mrs Manley owns a fashion store. Her wholesaler's trade price for shirts is $20 each. She receives a 10% discount on her purchases.

She sells the shirts in her store for $27 each.

What is her percentage mark-up?

A 35% **B** 38.8% **C** 45% **D** 50%

15 The diagram shows the imports and exports of a country.



What is the Balance of Payments for this country?

A –$100m **B** –$60m **C** +$40m **D** +$90m

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16 An advantage of a trading bloc is the elimination of unfair competition between member countries.

How is this achieved?

A All goods are labelled with the country of origin.

B All imports from member countries are exempt from customs duties.

C Measurements and weights are standardised across member countries.

D Quotas are imposed on imported goods.

17 What is the aim of competitive advertising?

A to compete for advertising time on television

B to inform the public of forthcoming events

C to make more sales than other companies

D to tell consumers about new products

18 A washing machine manufacturer wishes to promote a newly-designed product.

Which advertising medium would reach the most consumers?

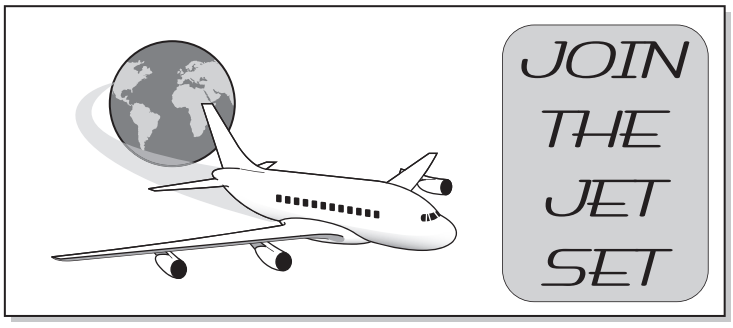
A cinema

B flyers

C radio

D television

19 The picture shows an advertisement for an airline.



Which method of appeal is shown in the advertisement?

A convenience

B music

C romance

D social acceptance

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20 Pop-ups are used when advertising on

A digital billboards.

B television.

C the internet.

D vehicles.

21 What is a **disadvantage** of rapid and accurate communication systems?

A ability to communicate one message to multiple addresses

B employees within a company are not linked using networks

C greater speed of communication between businesses in different countries

D increased cost and complexity of methods used

22 What is an advantage of telephone communication in business?

A copies of documents may be transmitted

B messages can be corrected before transmission

C problems may be discussed

D visual contact is made

23 Which methods of transport are **most** likely to be used to transport oil from Australia to Singapore?

A canal and sea

B pipeline and sea

C rail and pipeline

D road and air

24 What is an advantage of containerisation in sea transport?

A avoidance of customs duty

B carriage of one type of product at a time

C fast turnaround of ships at ports

D quick unpacking of goods at docks

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25 Which factor plays a part in the increasing volume of air freight that is being transported worldwide?

A availability of larger aircraft

B fluctuating aviation fuel prices

C increased international terrorism

D increased tourism

26 Which airport facility is likely to be the **most** important to a business exporting goods through an airport?

A currency exchanges

B duty free shops

C lifting gear

D luggage handling

27 Warehousing is unlikely to be part of the chain of distribution for

A canned food.

B clothes.

C milk.

D toys.

28 Mrs Rajapaksa runs a small shop. She uses a cash and carry warehouse to obtain her supplies.

This means she has to

A buy in large quantities.

B have an account with the wholesaler.

C make her orders online.

D transport the goods back to the shop.

29 Why should Magda take out insurance for her business?

A to assist people less fortunate who need to make a claim

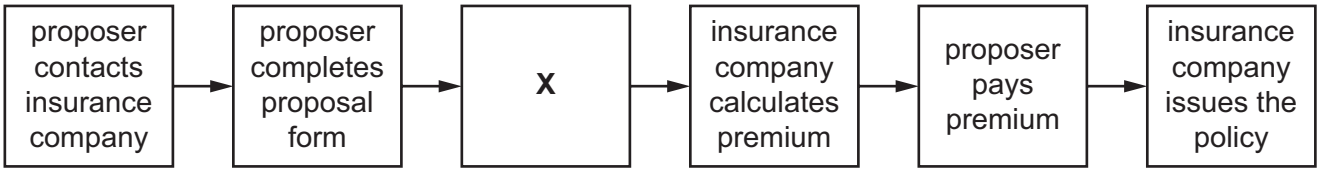
B to help her make a profit from the business

C to prevent her making a loss from the business

D to provide financial protection against loss

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30 The diagram shows the steps involved in applying for insurance.



What is **X**?

A insurance company assesses risk

B insurance company issues a cover note

C proposer consults an insurance broker

D proposer is indemnified by the insurance company

31 The owner of a factory holding stock worth $200 000 insures the stock for $150 000. A fire causes $40 000 of damage.

How much would the factory owner receive?

A $30 000 **B** $40 000 **C** $50 000 **D** $150 000

32 Which service is **not** offered by a bank?

A advising on options for savings

B arranging bad debts insurance

C making international payments

D transferring deposits between accounts

33 The table shows four transactions on a person's bank statement.

date	transaction details	credit ($)	debit ($)	balance ($)
7 September	salary	1500.00		1400.00
8 September	cash withdrawal		100.00	1300.00
14 September	meal in cafe		25.78	1274.22
17 September	monthly train ticket		255.19	1019.03

Which transaction is **most** likely to be paid using a direct debit?

A cash withdrawal

B meal in cafe

C monthly train ticket

D salary

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34 Which factor will a chain of fast food outlets consider when deciding where to locate a new restaurant?

A amount of competition in the area

B demand for fast food throughout the country

C greater popularity of drive-in restaurants

D increase in the price of fast food

35 The newspaper extracts below refer to businesses in the public and private sectors of business.

Which newspaper headline refers to a business in the public sector?

A **Exciting chance to take advantage of a franchise opportunity in Bravo coffee shops in your area.**

B **Our national health service offers services to all citizens in all areas of the country.**

C **The Annual General Meeting of GGG Ltd will be held on 3 December at the Global Hotel starting at 1100 hours. All shareholders are invited to attend.**

D **Tony and Wilma announce the expansion of their partnership on 1 October when Theo becomes the third partner in their dental practice.**

36 What is the advantage of turning a partnership into a private limited company?

A The business will have continuity after the death of a shareholder.

B The capital will be provided by the state through taxation.

C The promoters can advertise their company in a prospectus.

D The shareholders will have unlimited liability.

37 A multinational company is a

A government-owned monopoly.

B large company with branches in many countries.

C large company with many branches in one country.

D venture capitalist organisation.

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38 ABC Corporation is a large manufacturing company. It needs immediate finance as it is having cash flow problems.

Which source of finance would be the **most** suitable for ABC Corporation?

A hire purchase

B overdraft

C shares

D trade credit

39 A simplified trading, profit and loss account comparing two years is shown below.

	Year 1 $	Year 2 $
sales revenue	500 000	500 000
gross profit	300 000	300 000
net profit	200 000	150 000

What caused net profit to decrease between Year 1 and Year 2?

A decrease in cost of goods sold

B decrease in selling price

C increase in expenses

D increase in selling price

40 Which item is a current asset for a manufacturing company?

A creditors

B debtors

C machinery

D vehicles

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