Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

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

* 5 4 8 8 5 3 3 5 6 7 *

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_12/3RP
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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 A chair is sold for $200.

The cost of the materials was $50.

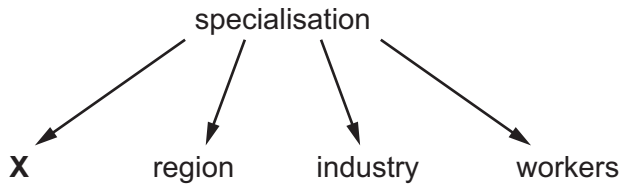
The cost of services used was $35.

Manufacturing wages amounted to $100.

What is the added value?

A $15 **B** $115 **C** $150 **D** $165

3 The diagram shows a number of ways in which specialisation occurs.



What is **X**?

A construction

B country

C primary

D tertiary

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 diagram shows a barcode.



How do the barcode numbers help a retailer?

A assists the control of stock levels

B indicates the quality of goods

C prevents the theft of goods

D provides information to consumers

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 Why is a chain store better able to survive than an independent retailer?

A All branches sell the same range of products.

B Chain stores have many sales assistants who offer personal service.

C Each branch is controlled by a manager who is responsible for its performance.

D Losses at one branch can be offset by profits at other branches.

8 When making hire purchase transactions, which of the following is used?

A a building society

B a commercial bank

C a finance company

D a stock exchange

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9 A method of credit in which a shopkeeper keeps goods ordered for collection at the end of the week is known as

A credit sales.

B credit transfer.

C deferred credit.

D lay-by.

10 Suleiman has received his credit card statement which contains the following information.

Statement date	1 October 2016
Opening balance	$2000
Debits	$750
Credits	$500
New balance	$2250
Credit limit	$5000
Minimum payment	$85
Payment to be credited by	21 October 2016

What is the best way for Suleiman to avoid paying any interest on his credit card?

A pay $750 after 21 October

B pay $2000 before 21 October

C pay $2250 after 21 October

D pay $2250 before 21 October

11 Consumer Protection legislation does **not** cover

A faulty goods.

B damaged goods.

C theft of goods.

D underweight goods.

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12 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

13 This sign is outside Karachi Wholesalers Ltd.

KARACHI
WHOLESALERS LTD
Suppliers of clothing
to the retail trade

What job would you expect this business to do for its customers?

A deliver clothes to small-scale businesses

B demonstrate items of clothing to the final customer

C find raw materials needed to produce the clothes

D manufacture a range of clothing

14 Which circumstance requires the use of a credit note?

A confirming a customer's order

B correcting an undercharge on an invoice

C requesting payment from the buyer

D returning part of a consignment that was damaged

15 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%

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16 Country X achieved a surplus in its Balance of Payments due to its earnings from invisible trade.

Which item would have featured in this trade?

A chemicals

B insurance services

C medical equipment

D tablet computers

17 A freeport is an area where

A goods can be prepared for sale without payment of duty.

B port charges do not have to be paid.

C ships have unrestricted arrival and departure times.

D traders can exchange goods free of inspections or regulations.

18 Why is trading overseas often more difficult than trading in the home market?

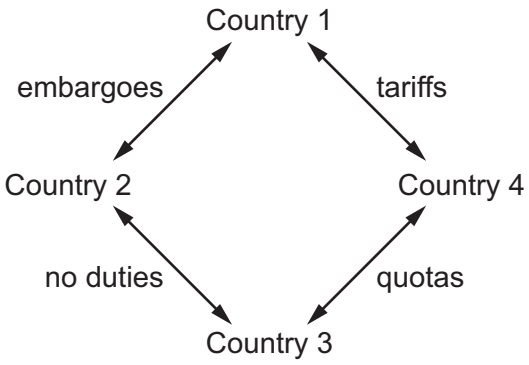
A Distances between traders may be greater.

B Goods are demanded in smaller quantities.

C Road and rail transport cannot be used.

D The exporter may be operating within a trading bloc.

19 The diagram shows trade between four countries.



Which two countries are in a free trade area?

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

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20 What is the aim of competitive advertising?

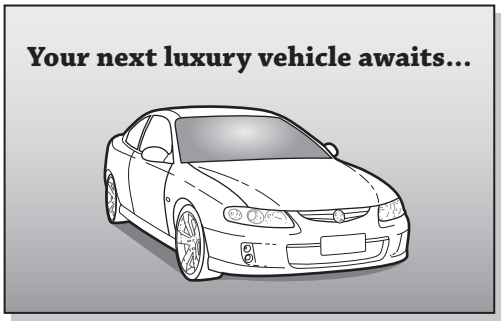
A to compete for advertising time on television

B to inform the public of forthcoming events

C to make more sales than other companies

D to tell consumers about new products

21 The picture shows an advertisement for a luxury car.



Which method of appeal is used in the advertisement?

A affluence

B durability

C hero worship

D social acceptance

22 Which telecommunications service can an organisation use to make verbal contact with its employees in different parts of its premises?

A email

B instant messaging

C memorandum

D telephone

23 Lopez wishes to send a letter to a friend who is travelling to various countries in Asia. The friend does not have a fixed address, so Lopez sends the letter by

A business reply service.

B poste restante.

C recorded delivery.

D registered post.

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

25 The Bill of Lading is an export document used when goods are transported by

A air.

B rail.

C road.

D sea.

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

A canned food.

B clothes.

C milk.

D toys.

27 Which statement is true of bonded warehouses?

A All goods to be re-exported are kept under bond until duty on them is paid.

B Dutiable goods are stored in them until duty is paid.

C Goods are stored free of charge and prepared for sale.

D Imported goods can be manufactured in these warehouses.

28 Following a fire, an insurance company pays for damage to premises, for loss of contents and for consequential loss.

An example of consequential loss is

A damage to customers' vehicles.

B delay in settlement of the amount due.

C loss of profits as a result of the fire.

D loss of stock due to water damage.

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29 In which circumstance is insurable interest present?

A a football fan insuring the life of his club's star player

B a homeowner insuring the house that she owns

C a person insuring a car she has borrowed from her friend

D a worker insuring the life of the owner of his company

30 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

31 The Managing Directors of four companies have made the following statements.

Which statement refers to an uninsurable risk?

A My Chief Designer has just died. This is bound to affect our business and profits.

B My company profits are down this year. This is because of the fraud by the Chief Accountant.

C My drivers have had lots of accidents this year. We have had to replace four lorries.

D My Purchasing Manager bought the wrong goods. They had to be sold at a loss.

32 Which statement about Automatic Teller Machines (ATM) is correct?

A A PIN has to be keyed in to withdraw cash.

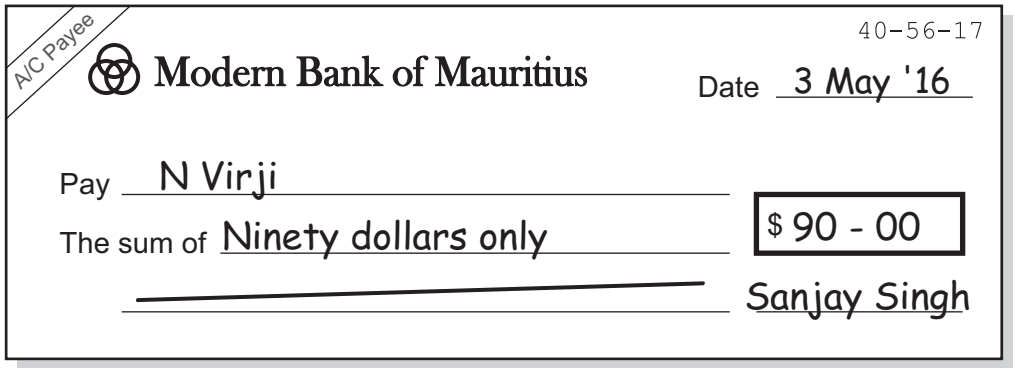
B An ATM can be used to exchange notes for coins.

C An ATM can be used to order goods from online retailers.

D You can set up payments by direct debit.

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33 The diagram shows a cheque.



What does the crossing mean?

A The cheque must be cashed at Modern Bank of Mauritius.

B The cheque must be paid into N Virji's bank account.

C The cheque must be paid into Sanjay Singh's bank account.

D The cheque was written by an account holder of Modern Bank of Mauritius.

34 Certain industries concentrate their activities in particular areas.

What is the commercial term for this?

A globalisation

B industrialisation

C localisation

D specialisation

35 How are losses in partnerships paid if there is no partnership agreement?

A as agreed by the partners

B by the senior partner

C by the sleeping partners

D shared equally among the partners

36 What is a feature of a private limited company?

A accounts must be made public

B business can be started immediately after registration

C shares are freely transferable

D shares are sold on the Stock Exchange

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37 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

38 How is the working capital of a business calculated?

A current assets less current liabilities

B gross profit less expenses

C sales revenue less purchases

D total assets less total liabilities

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 What is part of a farmer's fixed assets?

A cash

B fertiliser

C potatoes

D tractors

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