Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **October/November 2017**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)
Ruler
Protractor

* 0 2 0 7 9 6 3 9 0 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.

This document consists of **11** printed pages and **1** blank page.

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CAMBRIDGE
International Examinations

1 At which stage is production completed?

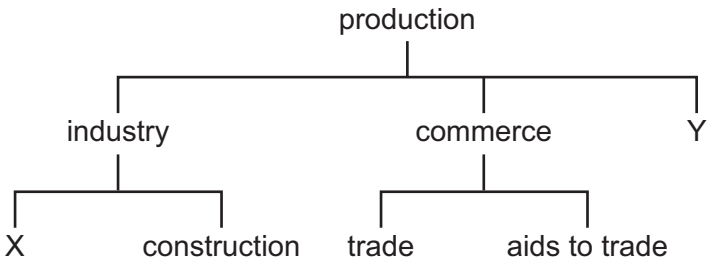
A when goods are manufactured

B when goods are used by the consumer

C when goods reach the consumer

D when goods reach the retailer

2 The chart shows branches of production.



What are X and Y in the chart?

A distribution and storage

B manufacturing and direct services

C tertiary and primary

D wholesaling and retailing

3 PQ Ltd builds and repairs houses.

What is the company involved in?

A construction

B distribution

C extraction

D transportation

4 What is a feature of supermarkets?

A loss leaders

B mail order

C narrow range of goods

D personal attention

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5 Some town centre unit retailers are forced out of business when an out-of-town shopping centre opens. However, some multiple chain stores continue to operate in town centres.

Why is this?

A Multiple chains can afford national advertising.

B Multiple chains can afford the rent of a small unit.

C Unit retailers do not allow their customers to buy on credit.

D Unit retailers have short opening hours.

6 The advertisement shown is for a plastic card.

THE INDEPENDENT CITY CARD

Your free pass to the best discounts and deals in over 100 independent businesses in the city

GET YOURS TODAY

What type of card is being advertised?

A credit card

B debit card

C loyalty card

D store card

7 How does buying on credit contribute to a country's standard of living?

A Consumers are able to buy what they want or need.

B Many people accumulate large amounts of debt.

C More goods will be imported for sale.

D People will save less of their income.

8 Informal credit is **most** likely to be offered to customers of

A department stores.

B hypermarkets.

C independent retailers.

D multiple shops.

9 How can a consumer protect themself against unfair trading practices?

A buy a consumer magazine

B check goods and services before buying

C report unfair practices to the local council

D send purchased goods to be tested for quality

10 After buying goods in a store, Ahmed discovers he has been overcharged.

What is his **best** course of action?

A consult a lawyer and sue the store

B contact the store for a replacement

C report the store to a consumer protection agency

D take the receipt to the store and ask for a refund

11 A channel of distribution is shown in the diagram.

primary producer → agent (factor or broker) → manufacturer → retailer → consumer

Which product is **most** likely to be distributed in this way?

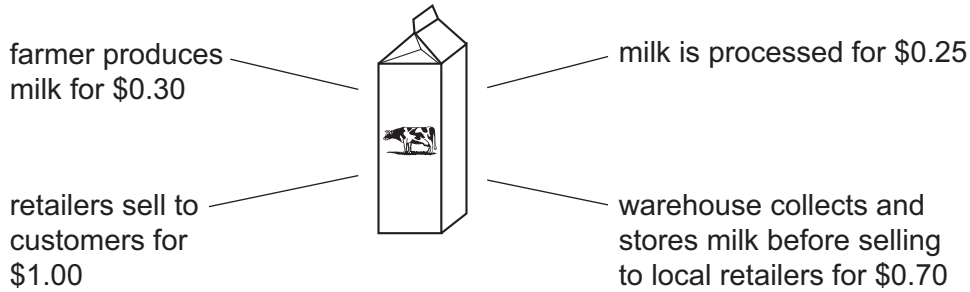
A bread

B clothing

C metals

D motorcycles

12 The diagram shows the costs per litre of producing and selling milk to the consumer.



What is the cost of the wholesale function?

A $0.15 **B** $0.30 **C** $0.45 **D** $0.70

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13 What is the function of a broker?

A to auction goods to the highest bidder

B to bring buyers and sellers together

C to guarantee that the goods imported will be sold

D to take possession of goods and to sell them in their own name

14 Mr X purchased watches at $5000 from Mr Y and received an invoice for the amount due. Later, Mr Y sent Mr X a credit note for $1000.

How much does Mr X now owe Mr Y?

A $1000 **B** $4000 **C** $5000 **D** $6000

15 The following figures are an extract from a statement of account dated 31 March. It has been received by WW Computers from one of its suppliers.

balance due	$20 000
cash discount	5%: 14 days
trade discount	20%

If WW Computers settles the account on 20 April, how much would the company pay?

A $16 000 **B** $19 000 **C** $20 000 **D** $25 000

16 Which statement explains why international trade is important?

A Businesses can concentrate on expanding in the home market.

B Many countries produce surpluses of goods to sell.

C There are currency and language differences between countries.

D Trade enables workers to become more efficient and productive.

17 What is a function of a customs authority?

A to compile statistics on imports and exports

B to impose income tax on importers

C to maintain seaports and airports

D to set the rates of customs duty

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18 What is a quota in international trade?

A a fixed quantity of imported goods allowed during a certain period

B a range of customs duties imposed on imported goods

C a tax on certain goods produced and consumed within the country

D an order preventing ships from unloading certain goods

19 The diagram shows an advertisement for natural fruit smoothies.



Which type of advertisement is shown?

A collective

B competitive

C informative

D persuasive

20 CR Ltd will soon launch a new range of smart televisions. Stocks of their existing televisions are still unsold.

Which sales promotion method should CR Ltd use to help sell the existing televisions?

A attractive packaging

B buy one, get one free

C discount offers

D window displays

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21 The government of a developing country wishes to issue a malaria warning to the remotest parts of the country.

Which method of advertising would be **most** effective?

A direct mailshot

B newspaper advertisements

C peak-time television

D posters in settlements

22 Amos Patel wishes to use the internet to promote his business. He has arranged to place a pop-up advertisement on the website of a well-known company.

What advantage is gained by Amos?

A endorsement by the well-known company

B mailing list of many potential customers

C professional design of the advertisement

D regular and frequent worldwide publicity

23 Which statement about the telephone as a method of communication is **not** correct?

A It can be used for both internal and external communication.

B It can be used for teleconferencing.

C It is a form of oral communication.

D It is possible to send an attachment.

24 A person travelling the world could arrange to collect mail using

A express post.

B poste restante.

C private boxes.

D registered post.

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25 The diagram shows a transport document.

BB SHIPPING LINE				
Shipper/Exporter			Document No.	
Consignee To order of Shipper			Export References	
Notify Party				
Carriage by		Place of Receipt	Loading Terminal	
Port of Discharge		Place of Delivery		
Particulars furnished by Shippers				
Marks and Numbers	Quantity/ Packages	Description of Packages and Goods	Gross Weight	Measurement
Total number of packages				
Freight and Charges			_____ (Signature of Carrier)	

What is the name of this document?

A air waybill

B bill of lading

C certificate of origin

D consignment note

26 How do low-cost airlines reduce their costs?

A allowing excess baggage on board

B flying into main city airports

C providing on-board meals

D selling tickets online

27 Which feature applies to **all** types of warehouse?

A located on the outskirts of towns

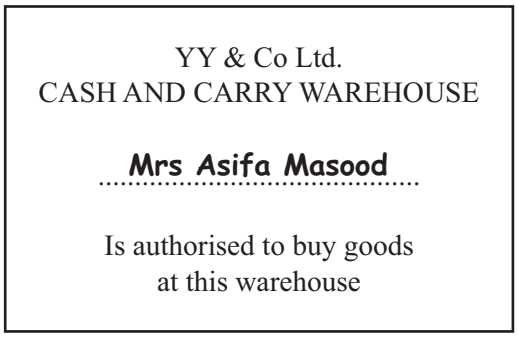
B owned by wholesalers

C provides suitable storage for commodities

D situated near major roads

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28 The diagram shows a card allowing a retailer to buy goods at a warehouse.



What advantage does Mrs Masood gain from buying goods at this warehouse?

A delivery costs paid by the wholesaler

B immediate availability of goods

C instant access to credit

D no need to visit the wholesaler

29 Which of the following is a principle of insurance?

A exclusion clause

B insurable risk

C no claims bonus

D utmost good faith

30 Javed's shop was valued at $120 000 when fire insurance was arranged. In each of the next three years the market value of the shop increased by $12 000. Javed has not told the insurance company about this increase.

If the shop is completely destroyed by fire, what is the maximum amount that the insurance company will pay out?

A $120 000 **B** $132 000 **C** $144 000 **D** $156 000

31 A record of the customer's transactions with a bank is available to the customer in the form of

A a credit slip.

B a letter.

C a statement.

D an account.

32 How do banks make regular payments of fixed amounts on behalf of their customers?

A bank drafts

B credit transfers

C direct debits

D standing orders

33 Which statement about credit cards is **not** correct?

A A credit card allows you to spend up to the credit limit on your account.

B APR is the annual rate of interest charged on a credit card.

C Balance transfers from another credit card company are free of interest.

D The 16 digits shown on the front of the credit card is your account number.

34 Where would the head office of a multinational finance company be located?

A central business district

B industrial estate

C shopping mall

D small town centre

35 Two friends are planning to set up a business as dentists. They are both willing to sell their possessions if the business fails.

Which type of business organisation are they likely to set up?

A partnership

B private limited company

C public limited company

D sole trader

36 In a private limited company, what does 'limited' liability mean?

A The capital contributed by shareholders is limited.

B The debts are limited to the amount invested.

C The number of shareholders is limited to twenty.

D The rights of shareholders are limited.

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37 ABC Ltd is a small software development company which has become a micro-multinational.

What does this mean?

A It employs thousands of workers in many countries.

B It often relocates, moving from one country to another.

C It operates subsidiaries in many countries.

D It sells its products and services worldwide using the internet.

38 Which source of finance is the **most** appropriate for a company that wishes to replace its vehicles every two years?

A hire purchase

B leasing

C mortgage

D overdraft

39 Lucy is thinking of buying some ordinary shares in CC Ltd.

Which risk does she need to consider when deciding whether or not to buy these shares?

A If CC Ltd fails, Lucy might have to sell her house to pay the company's debts.

B If CC Ltd was taken over by another company, Lucy would receive no money for her shares.

C The value of her shares can go down according to their price on the stock market.

D Unlike preference shares, ordinary shares do not normally pay out dividends.

40 A retailer has the following trading figures.

	$
sales	750 000
cost of goods sold	500 000
opening stock (inventory)	40 000
closing stock (inventory)	60 000

What is the retailer's rate of inventory turnover?

A 2.5 **B** 5 **C** 10 **D** 15

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