Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/11**

Paper 1 Multiple Choice **October/November 2019**

1 hour

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

* 2 4 5 7 6 9 9 6 1 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.

IB19 11_7100_11/3RP
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1 What is an example of an extractive industry?

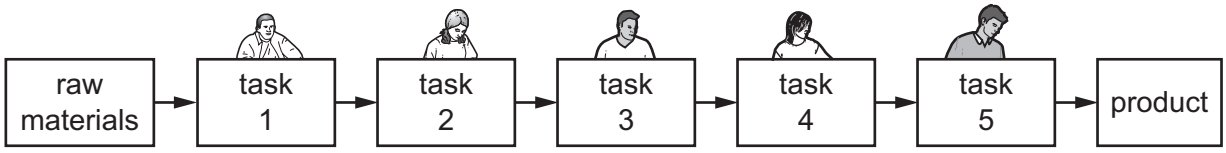
A felling trees to be used as wood pellets in stoves

B filtering water for drinking

C recycling plastic from plastic bottles

D using wind power to produce energy

2 The diagram shows people working in a factory.



What manufacturing process is shown in the diagram?

A chain of production

B division of labour

C interdependence

D primary production

3 Trade is the basis of commercial activity. This is because trade is needed to

A allow goods to be advertised globally.

B persuade consumers to buy on credit.

C satisfy human needs and wants.

D transport goods using aircraft and ships.

4 How do retailers assist wholesalers?

A giving advice on the use of goods

B offering information on new goods available

C paying in advance

D providing details of goods demanded

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5 Mr Shah owns a small independent bookshop. A branch of a national chain of bookshops has opened nearby.

Which response to this competition is likely to be **most** successful in the long-term?

A develop specialised services such as finding rare books

B finance an advertising campaign on national television

C match his competitor's discounted prices

D rearrange his window displays and shelves

6 The picture shows a card given to customers by a retailer.



What type of card is shown?

A credit card

B debit card

C discount card

D loyalty card

7 What is omni-channel retailing?

A using 'click and collect'

B using informal credit

C using integrated channels of distribution

D using mail order catalogues

8 What is an advantage to the purchaser of buying a product on credit?

A Credit checks may be made on the buyer.

B Interest may be charged by the seller.

C Payment is postponed until a later date.

D The buyer may have increased debts.

9 What is the function of a finance company?

A cashing cheques

B managing debentures

C offering mortgages

D providing hire purchase

10 A wholesaler is **most** likely to be used in the distribution of goods when

A a retailer operates on a small scale.

B goods are large and expensive.

C goods are perishable or fragile.

D large orders are made by retailers.

11 Which service is **not** offered by a wholesaler?

A breaking bulk

B clearing production lines

C delivering goods

D providing informal credit

12 What is the purpose of an invoice?

A to estimate the cost of goods

B to give proof of payment

C to order goods

D to show the amount due

13 Which is the correct sequence of using commercial documents when buying on credit?

A order → quotation → invoice → statement

B order → statement → invoice → quotation

C quotation → order → invoice → statement

D statement → quotation → order → invoice

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14 Jamal is allowed 20% trade discount and 7.5% cash discount on a debt of $600 he owes to his wholesaler.

How much does he pay to clear the debt?

A $435 **B** $444 **C** $480 **D** $555

15 A country wants to increase exports in order to

A correct a surplus on balance of payments.

B dispose of surplus products.

C obtain scarce raw materials.

D raise tariffs.

16 The table shows trade statistics taken from a country's Balance of Payments for 2018.

	$m
visible exports	700
invisible exports	300
visible imports	800
invisible imports	250

What is the Balance of Trade figure?

A –$100m **B** –$50m **C** $50m **D** $2050m

17 What is the function of a customs authority?

A collecting statistics on imports and exports

B fixing the rates of customs duties to be charged

C maintaining ports and airports

D promoting new businesses

18 What is **not** an advantage of free trade?

A An increase in exports leads to new job opportunities.

B Consumers have a wider choice of goods at cheaper prices.

C It increases the range of products available.

D The government raises additional income from customs duties.

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19 Why do many businesses use local newspapers to advertise their products?

A They are less likely to be in colour.

B They are read by literate and illiterate people.

C They have a short life span.

D They have a wide circulation in the nearby community.

20 An advertising agency has been commissioned to produce an advertisement for a new toothpaste.

Which method of appeal should be used in the advertisement?

A ambition

B bright colours

C good health

D nostalgia

21 A dealer on the Singapore Stock Exchange wants to receive written information about share prices in New York.

What is the **most** suitable form of communication for the dealer to receive?

A airmail letter

B email

C telephone

D videoconferencing

22 Which postal service might a department store use to send statements of account to its customers?

A business reply

B express mail

C letter post

D registered post

23 What services are offered at seaports to handle goods?

A buoys and lighthouses

B cranes and lifting gear

C dry dock facilities and ship repairs

D runways and hangars

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24 An exporter may make use of a freight forwarding company to

A arrange contracts in its own name.

B guarantee payment.

C organise customs clearance.

D research the market and find customers.

25 Which function of warehousing would be **most** important to a meat exporter?

A breaking bulk

B cold storage facilities

C displaying the produce

D security against theft

26 What is the function of a bonded warehouse?

A to allow goods to be re-exported without payment of duty

B to manufacture goods for sale locally

C to provide a place for confiscated and smuggled goods

D to store home-produced goods for packing

27 What is an example of a non-insurable risk?

A insuring a vehicle that transports a highly flammable liquid

B insuring planted crops against hail storms

C insuring the life of a racing driver

D insuring the losses from the sale of a new product

28 Which principle of insurance prevents the insured from selling the damaged property after receiving full compensation for it?

A contribution

B insurable interest

C subrogation

D utmost good faith

29 Mrs Moyo's household contents, valued at $20 000, were insured against fire for this amount. Later they were damaged by fire and the loss was estimated at $25 000.

How much compensation should Mrs Moyo receive?

A $5000 **B** $20 000 **C** $25 000 **D** $45 000

30 If an insurance company indemnifies you when you have made a claim, what does this mean?

A It will compensate you for the actual loss.

B It will pay a fixed percentage of the amount lost.

C It will pay you the amount you have insured.

D It will replace everything you have lost.

31 The picture shows a bank manager talking to a customer.



What is the customer **most** likely to be requesting from the bank manager?

A credit card

B current account

C loan

D overdraft

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32 The following information appears on a bank statement.

Balance brought forward	$130.00
Cheques paid out	$75.00
Standing Order payment	$30.00
Salary receipt by Credit Transfer	$310.00

What is the balance carried forward?

A $235.00. **B** $335.00. **C** $415.00. **D** $440.00.

33 Losses in public corporations are borne by

A directors.

B employees.

C shareholders.

D taxpayers.

34 What is *limited liability*?

A Shares are issued to a set total value.

B Shareholders are able to buy a limited amount of share capital.

C Shareholders are repaid a percentage of their investment from company profits.

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

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35 An advertisement for a franchise opportunity is shown.

NEW BUSINESS OPPORTUNITY

Do you have the passion to run your own business?

Since 2010 TEAFORTWO has opened tea shops around the country

TEAFORTWO is an established brand

We may have franchise opportunities in your area

$40 000 needed to invest

Interested?

Then visit our website www.teafortwo.com to find out more

Which statement in the advertisement explains why franchising is a good way to start a business?

A $40 000 needed to invest.

B New business opportunity.

C TEAFORTWO is an established brand.

D We may have franchise opportunities in your area.

36 An advertisement for leasing a vehicle is shown.

Roadmaster Vehicle Leasing

We have all types of vans ready for leasing at low monthly rents

Why lease your van rather than buy a van?

X

Servicing and maintaining the van is included in the rental charge.
We take care of the van: you take care of your business.

Identify **X**.

A Avoid high fuel costs.

B The van becomes yours after the first rental payment has been made.

C We provide loan capital for paying the monthly rent.

D Your business does not have to raise capital to buy the van.

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37 A retailer buys shirts for $80 and sells them with a profit of 40%. He then has a sales promotion week when he sells the shirts at cost plus $4.

How many more shirts must he sell in the promotion week to make the promotion profitable?

A 8 **B** 28 **C** 32 **D** 112

38 Which factor does **not** directly affect the buying power of consumers?

A changes in government

B fluctuating currency exchange rates

C interest rate changes

D taxation allowances

39 How can a business reduce its impact on the environment?

A make products with less materials that can be recycled

B reduce the amount of packaging

C transport goods using lorries rather than trains

D use more non-renewable resources

40 Mrs Wang purchased a bed from RR Supplier who has an advertising slogan of 'We guarantee we will not be beaten on price'. She then found the same model of bed $40 cheaper from a different supplier.

What action must RR Supplier take when Mrs Wang complains?

A accept the bed back and give a refund of $20

B change its advertising slogan

C refund the difference of $40

D supply a voucher for $40

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