Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/12**

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)

9578145754

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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1 Which business would be classified as a secondary industry?

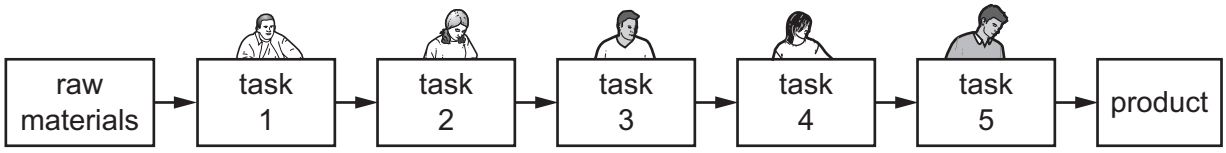
A BB Supermarket

B MM Warehouse

C PC Orchard

D WW Factory

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 Which definition of trade is the **most** accurate?

A buying and selling for profit

B distributing goods to markets

C exchanging goods for other goods

D importing and exporting

4 How does commerce assist industry?

A changes raw materials into finished goods

B enables manufacturers to use medical services

C helps manufacturers to find markets for their goods

D provides building services for construction of factories

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5 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

6 Why do retailers use bar codes?

A to advertise goods

B to control stock levels

C to make goods look expensive

D to stop theft

7 What is an advantage to a consumer of buying goods on credit?

A Goods may be returned by a customer who defaults on payment.

B It enables consumers to inspect goods before purchase.

C Payment for the goods can be made over a period of time.

D The retailer's profit may increase as customers pay interest.

8 Which type of credit allows the purchaser to become the legal owner of the goods on payment of the first instalment?

A deferred payments

B hire purchase

C leasing

D mortgage

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 The table shows some information about intermediaries in foreign trade.

intermediary	function	reward
agent	acts for others	earns commission
forwarding agent	arranges transportation documents	earns fees
X	brings buyers and sellers together	earns commission

Identify **X**.

A broker

B del credere agent

C factor

D export merchant

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 A buyer ordered 50 computers. The seller sent 52 computers and later credited the cost of two computers to the buyer's account.

In what order should the commercial documents be used?

A advice note → order → credit note → statement

B invoice → order → credit note → statement

C order → invoice → credit note → statement

D statement → credit note → invoice → order

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14 Mrs Nawaz sold a laptop in her shop for $450. She has a mark-up of 20% on all sales.

What price did Mrs Nawaz purchase the laptop for?

A $90 **B** $360 **C** $375 **D** $430

15 Quotas are sometimes used to control goods entering a country.

Who sets these quotas?

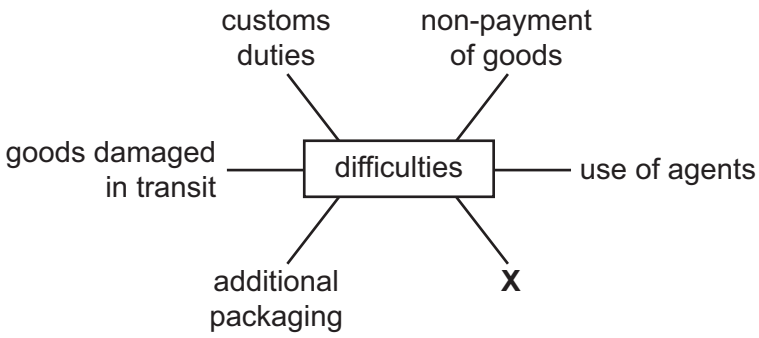
A customs and excise authorities

B government

C importers

D port authorities

16 AA Ltd wishes to expand its business by exporting washing machines. The diagram shows some difficulties it may face.



Identify **X**.

A bulk deliveries

B climate change

C disposal of surplus goods

D language differences

17 What is **not** a reason for a manufacturer launching an advertising campaign?

A adding to the price of goods and so decreasing profits

B helping to create brand loyalty among customers

C introducing new products into the retail sector

D reminding customers of established products on the market

18 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

19 Where is digital billboard advertising likely to be found?

A in football stadiums

B in trade journals

C on digital radio

D on social media

20 Why is rapid communication essential in the global market?

A Air transport has become more important in international trade.

B Consumer goods need to arrive at their destinations quickly and safely.

C Many goods are moved around the world by sea in containers.

D Traders need to contact each other to order goods and arrange deliveries.

21 Why is voicemail important to a business?

A It allows callers to make calls that are later charged to their telephone bills.

B It enables a telephone to be left unattended and to receive messages.

C It encourages people to make free phone calls to the business.

D It offers people the opportunity to communicate whilst on the move.

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22 An advertisement includes the following information.

Secure storage
Standard sizes
Easy to load and unload
Low costs of labour

What does the advertisement refer to?

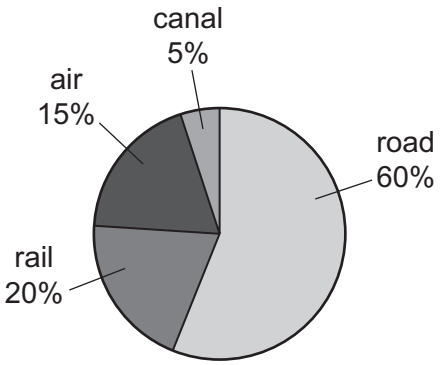
A containers

B railway freight wagons

C regional distribution centres

D warehouses

23 The chart shows the tonnage of goods delivered within a country using various types of transport.



total tonnage moved = 240 million tonnes

What is the tonnage moved direct from door to door?

A 12 million tonnes

B 36 million tonnes

C 48 million tonnes

D 144 million tonnes

24 Which service do passenger airlines provide to improve their efficiency?

A no limit on cabin luggage

B online check-in facilities

C private lounge facilities

D wide range of in-flight refreshments

25 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

26 Which factor would **most** influence a large-scale retailer to set up regional distribution centres?

A To allow manufacturers to produce ahead of demand.

B To provide a constant supply of produce to its branches.

C To take advantage of low cost warehouses.

D To use sites near busy road networks.

27 What does the principle of insurable interest state?

A The insured cannot be compensated and keep the damaged goods.

B The insured cannot make a direct financial loss.

C The insured must have a direct financial interest.

D The insured must tell the whole truth.

28 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

29 What does a fidelity guarantee policy cover?

A bad debts

B embezzlement of funds

C goods in transit

D loss of profits due to fire

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30 On which topic will a bank **not** give advice?

A buying foreign currency

B importing and exporting goods

C rates of interest paid by other banks

D storing valuable documents

31 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.

32 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

33 What is likely to be provided by a government?

A commercial banks

B education

C franchises

D retail stores

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.

35 An advertisement for a business is shown.

STEWART HAS THE BUSINESS FOR YOU!

Successful global company
Training given
Experience not necessary
Wonderful business opportunity
All materials supplied
Royalties payable annually

Telephone Stewart today on 01234 567890

Which form of business is being advertised?

A franchise

B multinational

C partnership

D sole trader

36 A business had the following trading figures for 2018.

sales revenue	$600 000
gross profit margin on sales	25 %
profit for the year (net profit)	$100 000

What was the cost of sales (goods sold)?

A $100 000 **B** $150 000 **C** $450 000 **D** $600 000

37 What would be the **best** method of improving the rate of inventory turnover for a small business selling fast food?

A buying supplies at lower prices

B cutting staff wages

C increasing the overdraft limit

D reducing wastage

38 A multinational company uses PEST analysis to help it decide where to locate a new factory.

Which economic factor would that analysis identify?

A consumer tastes

B labour laws

C rates of company taxation

D wage levels

39 What positive effect does ecommerce have on the environment?

A extra use of road transport to deliver goods

B greater use of electricity to operate computers

C increased use of packaging to protect goods

D more people shopping on the internet

40 An environmental factor which may affect commercial activity is

A changes in many working practices.

B international movement of labour.

C the possibility of global warming.

D the rapid development of smartphones.

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