Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/11**

Paper 1 Multiple Choice **October/November 2020**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

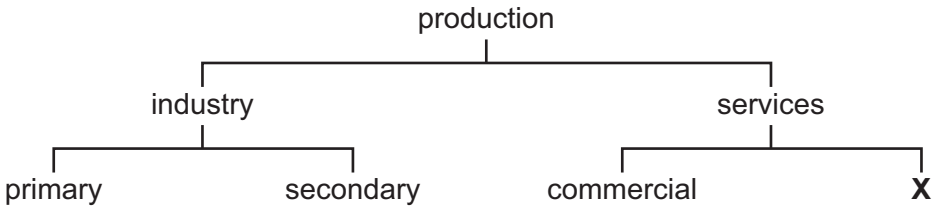
INFORMATION

- The total mark for this paper is 40.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

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1 The diagram shows the branches of production.



What is **X**?

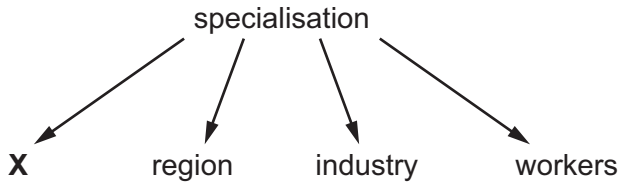
A aids to trade

B direct

C manufacturing

D trade

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



What is **X**?

A construction

B country

C primary

D tertiary

3 What is an example of commerce?

A a factory owner using an accountant to prepare his accounts

B a farmer rearing sheep on his farm

C a manufacturer using iron to make steel products

D a shop owner buying insurance to protect her property

4 Which retail outlet is large, usually situated in the centre of town, and sells many types of goods?

A department store

B hypermarket

C speciality shop

D voluntary chain

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5 Which advantage to customers might a small-scale retailer have compared to a large-scale retailer?

A It buys in bulk at discounted prices.

B It employs many staff.

C It is conveniently located.

D It offers a wide variety of goods.

6 What is an advantage to a small business of ecommerce?

A It can choose in which country to pay its tax.

B It can set up outlets in many countries.

C Its labour force is recruited worldwide.

D Its potential market is international.

7 Mr X buys a car for $4000 on hire purchase over a 5-year period.

If he makes the required 25% deposit and monthly repayments of $70, how much will he have paid in interest?

A $200 **B** $840 **C** $1200 **D** $4200

8 What is the name of the intermediary in international trade who sells goods in his own name?

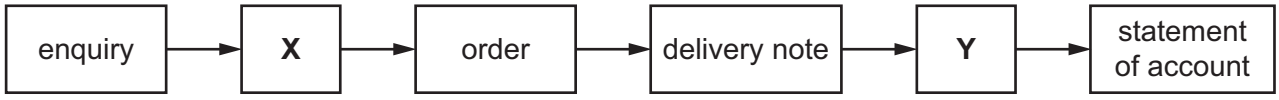
A broker

B factor

C forwarding agent

D wholesaler

9 The sequence of documents used for a business transaction between two firms is shown.



Which documents fit the **X** and **Y** boxes to make the sequence complete?

	X	Y
A	credit note	invoice
B	invoice	credit note
C	invoice	quotation
D	quotation	invoice

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10 The table shows information about a transaction between a wholesaler and a retailer.

return of packing cases to the wholesaler	$100
return of damaged goods to the wholesaler	$400
total	$500

Which action is **most** likely to be taken by the retailer?

A Send a cheque for $500 to the wholesaler.

B Send a new order to the wholesaler.

C Wait to receive a credit note from the wholesaler.

D Wait to receive an invoice from the wholesaler.

11 A wholesaler buys televisions from a manufacturer for $120 each. The wholesaler sells them to a retailer for $150 each.

What is the wholesaler's percentage mark-up?

A 20% **B** 25% **C** 30% **D** 75%

12 Cash discount offered to customers means that they pay less than the full amount if

A goods are purchased by cash.

B goods are purchased by cheque.

C payment is made after interest is given.

D payment is made in the agreed time period.

13 The development of world trade into a single economy is known as

A globalisation.

B industrialisation.

C nationalisation.

D specialisation.

14 A country has a Balance of Payments surplus on its current account.

What does this mean?

A The total value of its exports exceeds the total value of its imports.

B The total value of its imports exceeds the total value of its exports.

C The total value of its invisibles exceeds the total value of its visibles.

D The total value of its visibles exceeds the total value of its invisibles.

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15 What is a function of a customs authority?

A arranging trade between countries

B collecting duties on imports

C delivering goods to buyers

D re-exporting goods previously imported

16 Free trade takes place when

A exports are subsidised by governments.

B the level of imports needs to be reduced.

C there are no trade restrictions between countries.

D trade takes place without the use of money.

17 What is likely to be advertised using collective advertising?

A branded product

B cleaning service

C holiday region

D seasonal sale

18 Mr Ramasinghe is a small-scale retailer who has a shop in a town. He wishes to advertise his business.

Which advertising method would be **least** suitable for him to use?

A auction websites

B flyers

C local newspapers

D window displays

19 A supermarket is opening a new store in a town centre.

Which sales promotion technique will attract the most customers?

A after-sales service

B late night opening

C loss leaders

D point-of-sale displays

20 A manufacturer of soft drinks has paid to have its products shown during a television show.

What is this called?

A digital billboard

B mobile app

C product placement

D social media advertising

21 Why is communication important for a multinational company operating in the global market?

A to allow it to sell more goods in the home market

B to enable the company to operate as a single unit

C to reduce tariffs and quotas imposed in international trade

D to transport goods from its warehouses to airports and ports

22 Mrs Azam wishes to send a valuable item to her son who lives 500 km away.

Which postal service would she use?

A express mail

B first class letter post

C poste restante

D registered post

23 What is an advantage of using a mobile phone rather than a landline?

A It is difficult to steal.

B It is used only for local calls.

C It may be used anywhere.

D It requires a signal to operate.

24 For which consignment would delivery by air transport be suitable?

A daily delivery of perishable goods to supermarkets

B large quantities of iron ore from Australia to Taiwan

C medical supplies from London to Cape Town

D sand in bulk from the Middle East to Australia

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25 Which service is provided by a port authority?

A collecting revenue for the government

B inspecting immigration documents

C maintaining and repairing the docks

D supervising bonded warehouses

26 Which commercial term describes the management of the flow of goods?

A containerisation

B ecommerce

C leasing

D logistics

27 Which statement **best** describes the function of a freight forwarder?

A arranges transport, organises customs clearance, prepares documentation

B breaks bulk, negotiates import duty, delivers products

C negotiates purchase contracts, arranges transport, pays for goods

D organises shipments, negotiates customs clearance, pays for goods

28 What is a function of warehousing?

A to maintain supplies

B to manufacture goods

C to provide after-sales service

D to standardise goods

29 A bonded warehouse is a place where

A customs officials store confiscated and smuggled goods.

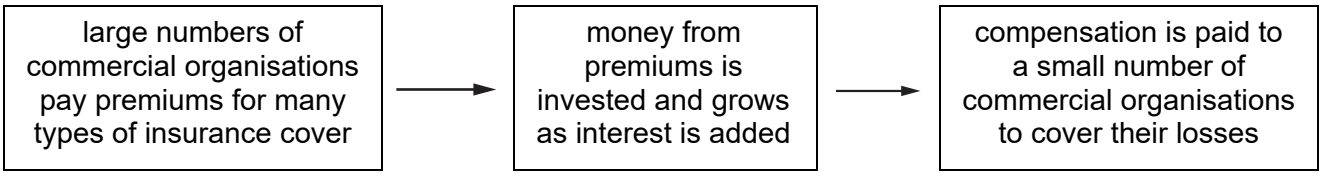
B dutiable goods are stored until duty has been paid on them.

C goods are manufactured ready for sale.

D merchants store all their goods awaiting export.

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30 The diagram shows how insurance companies are able to pay financial compensation to commercial organisations who suffer accidental loss.



Which term describes the process shown in the diagram?

A contribution and subrogation

B economies of scale

C insurable interest

D pooling of risk

31 Which business risk is non-insurable?

A fidelity bond

B fire damage

C motor accident

D poor management

32 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

33 Mrs Rashid runs a stall in a local market selling home-grown produce to customers.

Which banking service is she **not** likely to need in her business?

A current account

B deposit account

C night safe

D overdraft

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34 Many debit cards now display the sign for contactless payments.



What **additional** service is provided to users of these debit cards?

A making small payments without entering a pin number

B obtaining cash back when using the card and a pin number

C paying for goods and services purchased online

D using the card to obtain local currency in another country

35 Simeon, a retailer, wishes to locate his business in a shopping centre.

Why would Simeon choose a shopping centre?

A Businesses selling different products are there.

B Many people visit shopping centres every day.

C The shopping centre is on the outskirts of a town.

D There is an internet café there.

36 When all the assets of a limited company that has ceased to trade have been sold, it still has liabilities of $250 000.

To pay off that debt, how much will each of its 20 shareholders be liable for?

A $12 500

B a contribution determined by the type of share they own

C a contribution determined by the value of their shareholding

D zero liability

37 Which advantage in an advertisement for a leasing company would be the **most** important to a business that provides regular delivery of goods all over the country?

A All types of vans are available.

B A new van is provided every two years.

C No capital costs are involved in purchasing a van.

D Roadside breakdown assistance is included in the rental charge.

38 Mr Singh is a small-scale retailer. His cost of goods sold was $90 000. His opening inventory was $10 000 and closing inventory was $8000.

What is his rate of inventory turnover?

A 5 **B** 9 **C** 10 **D** 18

39 Which system does **not** rely on the climate to produce cleaner energy?

A anaerobic digesters

B hydroelectricity

C solar panels

D wind farms

40 Mrs Moyo buys a new toaster from a shop. When she arrives home, she discovers that the toaster is faulty.

According to consumer law, what should she do?

A claim compensation for her wasted time

B return to the shop for a replacement toaster

C take no action

D tell the police

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