



Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE

7100/01

Paper 1 Multiple Choice

For Examination from 2018

SPECIMEN PAPER

1 hour

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

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.

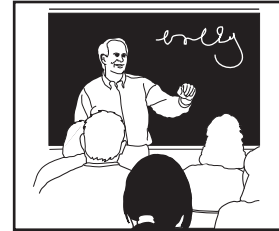
This document consists of **12** printed pages.



1 What is meant by *production*?

- A primary and secondary industries
- B provision of direct services
- C provision of goods and services
- D trade and aids to trade

2 The diagrams show three people who each provide a service to consumers.



Which term describes the type of service they provide?

- A commercial service
- B customer service
- C direct service
- D retail service

3 Which term means 'the distribution of goods to the final consumer'?

- A commerce
- B manufacturing
- C warehousing
- D wholesaling

4 What is a disadvantage to the **consumer** of large-scale retailing?

- A convenient opening hours
- B decline in personal service
- C loyalty cards
- D one-stop shopping

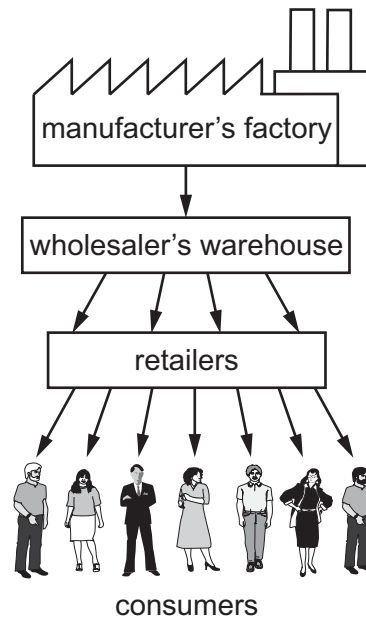
- 5 The diagram shows a trend in retailing.



Which trend in retailing is shown in the diagram?

- A** mail order
- B** mobile retailing
- C** omnichannel retailing
- D** television shopping
- 6 Using credit means that the customer
- A** always pays extra for the goods.
- B** gets goods repaired for nothing.
- C** obtains discount on goods.
- D** uses the goods but pays later.
- 7 Mr Dube buys a television on hire purchase from a shop and pays for it over 18 months.
- Who owns the goods during this time?
- A** buyer
- B** finance company
- C** manufacturer
- D** sales person

- 8 The diagram shows a commercial activity.



Which commercial activity is shown in the diagram?

- A chain of distribution
 - B chain of production
 - C division of labour
 - D economies of scale
- 9 A small retailer is located in a remote village. Which service provided by a wholesaler is this retailer **most** likely to benefit from?
- A advertising of products
 - B convenient opening hours
 - C credit facilities
 - D delivery of goods to the retailer
- 10 Which of the following is **not** an example of an intermediary?
- A agent
 - B factor
 - C franchisor
 - D wholesaler

- 11 What document will be sent to a customer when the customer returns chargeable boxes and crates?
- A credit note
B order
C quotation
D receipt
- 12 High Fashion Wholesalers prepared a statement of account for Lee Trading.

STATEMENT OF ACCOUNT				
HIGH FASHION WHOLESALERS TRENDY ROAD ANYCITY				
To	Lee Trading 110 Main Road Anycity	Month Ending		31 August 2015
DATE	DETAILS	DEBIT	CREDIT	BALANCE
		\$	\$	\$
1 Aug	balance brought forward			500
6 Aug	bank		475	25
8 Aug	cash discount		25	—
12 Aug	sales	800		800
22 Aug	sales	700		1500
26 Aug	credit note		60	1440

Lee Trading paid the amount owed on 24 August.

What was the amount paid?

- A \$700 B \$800 C \$1440 D \$1500
- 13 Eva is a retailer. She has bought 30 dresses costing \$70 each. She is allowed 20% trade discount and 5% cash discount if she pays within 14 days.
- How much will Eva pay if she settles the bill within 14 days?
- A \$1512 B \$1575 C \$1596 D \$1680

- 14** A retailer buys an article at a cost of \$50 and sells the article at \$60.

What is the retailer's mark-up?

- A** 8% **B** 10% **C** 15% **D** 20%

- 15** What is a limit placed on the quantity of goods imported into a country in one year?

- A** embargo
B licence
C quota
D tariff

- 16** What is the major difficulty faced by an exporter when trading with a foreign buyer for the first time?

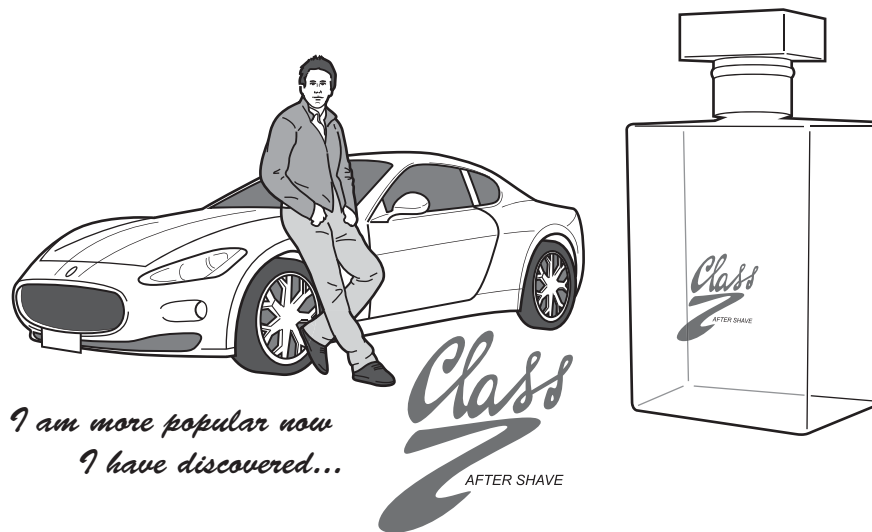
- A** competition from other companies
B differences in languages
C non-payment for the goods
D transport of goods

- 17** Three types of advertising a firm might use are informative, collective and competitive.

What is another type of advertising?

- A** media
B persuasive
C point of sale
D sales promotion

18 The diagram shows an advertisement.



Which method of appeal is the advertiser using?

- A colour
 - B comedy
 - C hero worship
 - D social acceptance
- 19 What is a loss leader?
- A a commodity entered in the stock records but missing from stock
 - B a product sold at below cost price to attract customers
 - C a slow-selling item sold at below cost price to sell quickly
 - D a well-known brand with a low profit margin
- 20 Which method of communication can people in different places use to hold a meeting, allowing them to hear and see each other?
- A teleconferencing
 - B telephone
 - C text messaging
 - D videoconferencing

- 21 A retailer uses the business reply service to reply to an advertisement by a manufacturer.

This means that the manufacturer pays for the reply, which is sent by

- A cash on delivery.
 - B courier.
 - C email.
 - D ordinary mail.
- 22 What is an application store (app store)?
- A digital distribution platform for software
 - B means of protecting the computer user against malicious software
 - C method of communication between a retailer and a manufacturer
 - D warehouse for storing certain types of goods
- 23 What is an advantage of sea transport for carrying goods in bulk?
- A low carriage costs
 - B low packing charges
 - C safety
 - D speed
- 24 What is an advantage of using containers for the transport of exported goods by road and sea?
- A high insurance costs
 - B no export documentation
 - C non-payment of customs duties
 - D quicker turnaround
- 25 Which service is **not** provided by a logistics company?
- A advertising
 - B packaging
 - C transport
 - D warehousing

- 26 Which requirement is **not** essential for a well-organised warehouse?
- A accurate stock control
 - B cash and carry on sales
 - C efficient distribution of goods
 - D protection of goods from theft
- 27 How does a bonded warehouse save on working capital for the importer?
- A Duty is paid when goods are blended and packed.
 - B Duty is paid when goods are needed.
 - C Goods are supervised by customs authorities.
 - D Goods can be displayed for sale.
- 28 What does the insurance principle of indemnity mean?
- A The insured is refunded the cost of the total premiums paid to the insurer if a loss is suffered.
 - B The insured is restored to a better position than before the loss was suffered.
 - C The insured is restored to the original position before the loss was suffered.
 - D The insured who suffered the loss is compensated from the premiums in the insurance pool.
- 29 A retailer's stock is worth \$6000 and is insured for \$4000. Goods to the value of \$4500 are stolen. How much compensation will the insurance company pay the retailer?
- A \$500 B \$3000 C \$4500 D \$6000
- 30 What is a function of an insurance broker?
- A to assess insurance claims
 - B to calculate risks and premiums for insurance companies
 - C to find clients for insurance companies
 - D to possess and sell goods to clients

- 31 The following headline recently appeared on the front page of a newspaper.

Banking crisis hits commerce

Which of these effects of a banking crisis is likely to be the most serious for businesses who are wishing to expand?

- A The banks will be less willing to provide loans and overdrafts.
 - B The banks will be unwilling to provide advice to businesses.
 - C The banks will close their internet sites.
 - D The banks will reduce the staff numbers in their branches.
- 32 Which method of payment requires the creditor to ask the bank for payment?
- A banker's order
 - B cheque
 - C credit transfer
 - D direct debit
- 33 A business wishes to move funds quickly between countries.

Which means of payment should it use?

- A bank draft
- B credit transfer
- C electronic transfer
- D documentary credit

- 34 A large travel agent plans to set up a telephone call centre where callers can book holidays.

The travel agent investigates possible location sites for the new call centre. A list of factors to be considered for the location of the new call centre is shown below.

- | | |
|---|-------------------|
| 1 | Road networks |
| 2 | Planning Laws |
| 3 | Cost of sites |
| 4 | Parking for staff |
| 5 | ? |

Which other factor should be considered?

- A access for visiting customers
 - B competition in the area
 - C reliable power supplies
 - D suppliers nearby
- 35 What is a general partnership?
- A a business unit formed by shareholders
 - B a business unit in which all partners are liable for the business's debts
 - C a business which has been formally registered by the partners
 - D a business with limited liability for all partners
- 36 What is the most likely challenge to a fast food franchisor who wishes to expand their business?
- A capital available for franchising
 - B lack of franchise applicants
 - C opposition from local communities
 - D popularity of fast food

37 Mr Khan needs help to purchase a new car.

Which source of finance should he use?

- A** bank loan
- B** debenture
- C** sale and leaseback
- D** trade credit

38 A business has the following trading figures.

	\$
sales turnover	500 000
gross profit	150 000
expenses	50 000

What is the profit for the year (net profit) as a percentage of sales turnover?

- A** 10%
- B** 20%
- C** 30%
- D** 40%

39 Which of the following is an economic issue that may affect commercial activities?

- A** the exploitation of natural resources in some countries
- B** the increased purchasing power of many people in many countries
- C** the introduction of government regulations on the sale of some products
- D** the rapid development of different kinds of mobile phones

40 What is an effect on the environment of the growth of e-commerce?

- A** increased use of transport for the delivery of goods
- B** reduced use of computers and telephones
- C** shopping available all day and every day
- D** the development of the cashless society

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