



**Cambridge International Examinations**  
Cambridge Ordinary Level

**COMMERCE**

**7100/12**

Paper 1 Multiple Choice

**October/November 2018**

**1 hour**

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



**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 The pictures show four activities.

agriculture



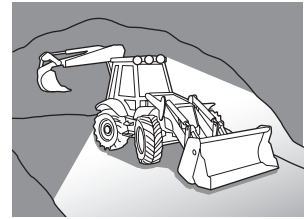
fishing



forestry



mining



To which classification do all four activities belong?

- A construction industry
  - B manufacturing industry
  - C primary production
  - D tertiary production
- 2 Which definition describes *commerce*?
- A buying goods from other countries
  - B serving the needs of the customer
  - C trading and using aids to trade
  - D using division of labour in a factory
- 3 The chain of production is complete when the goods have
- A been offered for sale by the retailer.
  - B been sold by the retailer to the consumer.
  - C left the factory for the retailer's shop.
  - D left the factory for the wholesaler's warehouse.
- 4 What is a supermarket likely to sell?
- A carpets
  - B cars
  - C dress materials
  - D washing powder

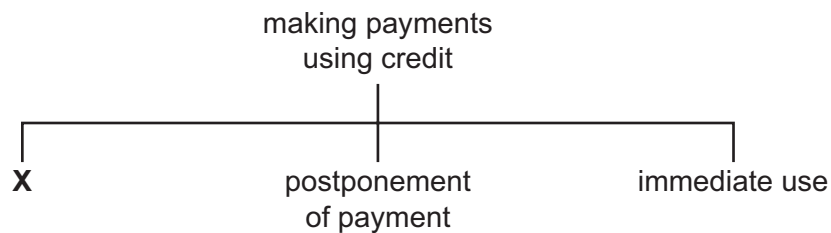
5 What has helped the speed of self-service shopping to increase?

- A after-sales service
- B delivery service
- C electronic point of sale
- D the growth of credit

6 Why are some goods **not** packaged for sale?

- A They are sold in quantities to meet individual customer needs.
- B They need to be branded and priced.
- C They need to be made more attractive to consumers.
- D They require mass advertising before sale.

7 The diagram shows the advantages to the customer of making payments using credit.



What is **X**?

- A easily transferable
- B no interest paid
- C suitable for all small payments
- D widely acceptable

8 A customer buys goods. He makes a payment using his PIN.

What type of payment is being made?

- A credit card
- B deferred payment
- C hire purchase
- D informal credit

- 9 What is meant by the *chain of distribution*?
- A manufacturing goods for sale to wholesalers
  - B packing goods for sale in a warehouse
  - C transferring goods from producer to consumer
  - D transporting goods to shops and online retailers
- 10 Manufacturers depend on wholesalers to
- A clear production lines.
  - B display goods for sale.
  - C operate cash and carry services.
  - D produce a wide range of goods.
- 11 What is a function of a factor in international trade?
- A charging higher commission than other agents
  - B guaranteeing to sell all the goods held
  - C owning the goods that he is offering for sale
  - D selling the goods which he has in his possession
- 12 What is the purpose of an invoice?
- A to list the price and details of goods supplied
  - B to prove that goods ordered have been delivered
  - C to provide a detailed description of goods required
  - D to show changes in price and terms of payment

13 The diagram shows a statement of account.

| <b>HH Wholesalers Ltd</b><br>Moorgate Road<br>Anywhere |                    |             |              |               |
|--------------------------------------------------------|--------------------|-------------|--------------|---------------|
| <b>OO Retailers Ltd</b><br>784 Brightside<br>Anytown   |                    |             | May 2018     |               |
| Date                                                   | Details            | Debit<br>\$ | Credit<br>\$ | Balance<br>\$ |
| 30 April                                               | Balance b/f        |             |              | 200.00        |
| 01 May                                                 | Invoice No. 627    | 50.00       |              | 250.00        |
| 05 May                                                 | Credit Note No. 45 |             | 10.00        | 240.00        |
| 06 May                                                 | Cheque             |             | 200.00       | 40.00         |
| 26 May                                                 | Invoice No. 695    | 600.00      |              | <b>X</b>      |

What is the value of **X**?

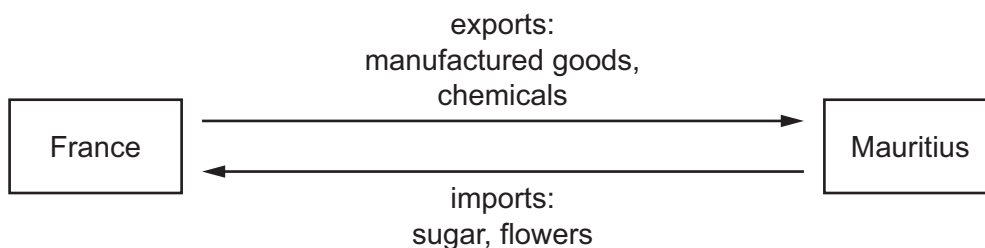
- A**    -\$560.00      **B**    \$440.00      **C**    \$640.00      **D**    \$730.00

14 The cost price of a television is \$150. The mark-up is 20% of the cost price.

What is the selling price?

- A**    \$30              **B**    \$120              **C**    \$170              **D**    \$180

15 The diagram shows trade between France and Mauritius.



This diagram suggests that France and Mauritius are

- A**    competitors.  
**B**    interdependent.  
**C**    primary producers.  
**D**    self-sufficient.

**16** What is a function of customs authorities?

- A** collecting port charges on imported goods
- B** compiling records of imports and exports
- C** preparing goods in bonded warehouses
- D** storing goods meant for the entrepôt trade

**17** What is a freeport?

- A** a port allowing goods to be transported without any freight charges
- B** a port permitting goods to be imported without payment of duties
- C** a port where all loading and unloading of goods is free of charge
- D** a port which offers free travel for exporters and importers

**18** An advertising manager is considering how to advertise a new perfume and asked her staff to write down some suggestions.

Which suggestion is a method of appeal?

- A** employing door-to-door sales people
- B** offering discounts in sports shops
- C** placing posters on public transport
- D** using pictures of famous people

**19** Where might a firm make use of pop-ups for advertising?

- A** cinema
- B** internet
- C** national newspaper
- D** trade journals

20 Four backpackers travelling the world are in conversation.

Which backpacker is using the **most** appropriate postal service for his or her needs?

**A**



I receive my mail  
using Speed Post.

**B**



I receive my mail  
using Express Mail.

**C**



I receive my mail  
using Private  
Boxes.

**D**



I receive my mail  
using Poste  
Restante.

21 Businesses are using smartphone technology as a means of advertising their products.

What could stop this method of advertising from being successful?

- A** Access to electronic data is unrestricted.
- B** Mobile phone technology has developed rapidly.
- C** Network availability in some countries is limited.
- D** Smartphone users access apps on the move.

22 The table shows the percentage (%) volume of freight moved.

| type of transport       | % tonnes moved |
|-------------------------|----------------|
| trucks and vans         | 40             |
| goods train             | 25             |
| roll-on, roll-off ferry | 20             |
| cargo plane             | 10             |
| tanker ship             | 5              |

The total tonnage moved is 500 million.

What tonnage is delivered directly to people's houses without a change of transport?

- A** 15 m
- B** 150 m
- C** 200 m
- D** 500 m

- 23** What is the best way of transporting 100 kg of gold from a mine in South Africa to a jeweller in Hatton Garden in London?
- A** by air, sea and road
  - B** by rail, air and rail
  - C** by road, air and road
  - D** by road, air and sea
- 24** What is a function of a port authority?
- A** to check incoming ships for unauthorised goods
  - B** to collect customs duties
  - C** to prevent illegal immigration
  - D** to provide warehouses
- 25** What is an advantage of warehousing to a producer?
- A** It allows the producer to manufacture large quantities of goods ahead of demand.
  - B** It allows the producer to offer trade credit to reliable customers.
  - C** It enables the producer to make customers aware of its products.
  - D** It enables the producer to operate a cash and carry service for customers.
- 26** A national supermarket chain buys its products directly from manufacturers and stores them in a warehouse before sending them to its retail outlets.
- Which type of warehouse would it use?
- A** bonded
  - B** cash and carry
  - C** discount
  - D** regional distribution
- 27** Many people are involved in insurance.
- Which name is given to the person who accepts risks and meets claims?
- A** actuary
  - B** assessor
  - C** broker
  - D** underwriter



- 28** Mrs Yip owns a factory valued at \$400 000. It is insured with **two** insurance companies, each having a 50% share in the cover to the value of \$500 000.

Later, 25% of the factory was destroyed in a fire.

How much would each insurance company pay Mrs Yip?

- A** \$50 000      **B** \$62 500      **C** \$200 000      **D** \$250 000

- 29** What is a feature of a bank current account?

- A** A high interest rate is earned on money deposited.  
**B** A minimum amount must be kept in the account.  
**C** An overdraft may be possible.  
**D** It is a means of long-term saving.

- 30** 'A means of payment agreed between the debtor and the creditor used for recurring and variable payments.'

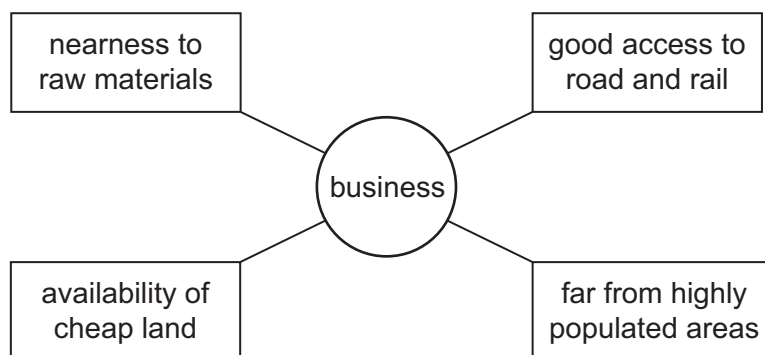
Which means of payment is being described?

- A** bank draft  
**B** direct debit  
**C** documentary credit  
**D** standing order

- 31** What is a benefit to the customer of mobile banking?

- A** cheaper staffing costs  
**B** lower operating costs  
**C** smaller number of bank branches  
**D** wider access to banking services

32 The diagram shows four factors that have influenced the location of a business.



What type of business is **most** likely to have **all** these factors influencing its location?

- A chemical plant
- B milk processing plant
- C newspaper printing company
- D sports and leisure centre

33 Which type of business organisation is correctly matched to its feature?

|   | type of business organisation | feature               |
|---|-------------------------------|-----------------------|
| A | partnership                   | board of directors    |
| B | private limited company       | unlimited liability   |
| C | public limited company        | restricted membership |
| D | sole trader                   | direct control        |

34 Which term describes an arrangement by one company to grant permission to another company to use its trademark when selling products?

- A franchise
- B lease
- C licence
- D royalty

- 35 HH is a privately owned builders merchants. It wishes to buy a small truck for deliveries to customers, costing \$40 000.

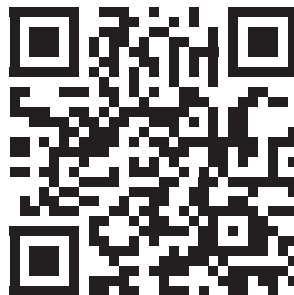
What would be the **most** suitable source of finance to use for this purchase?

- A debenture
  - B hire purchase
  - C mortgage
  - D trade credit
- 36 What is **not** likely to increase the working capital of a business?
- A choosing a cheaper supplier
  - B giving more time to customers to pay their debts
  - C improving sales by promoting its goods in shops
  - D taking longer to pay its debts to suppliers
- 37 A trader has the following figures.

|                     |           |
|---------------------|-----------|
| turnover            | \$120 000 |
| gross profit margin | 25%       |
| rate of turnover    | 20 times  |

What is the average stock held?

- A \$4500      B \$30 000      C \$60 000      D \$90 000
- 38 The diagram shows a QR (Quick Response) code.



What is the main purpose of this code?

- A to collect data so that supermarkets can re-order goods quickly
- B to enable consumers to gain easy access to a brand's website to obtain information
- C to provide a guarantee that the seller will cover parts and repairs for a set period of time
- D to show that the product has been tested and meets a certain standard

**39** What is a negative effect of ecommerce on the environment?

- A** fewer people driving to shopping centres
- B** greater use of transport for deliveries
- C** larger warehouses storing goods
- D** reduced need for well-lit retail stores

**40** Changes in working practices mean that more people work from home.

Which external factor does this describe?

- A** economic
- B** political
- C** social
- D** technological

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cie.org.uk](http://www.cie.org.uk) after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.