



# Cambridge O Level

## COMMERCE

7100/12

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.



- 1 Producers need to satisfy human needs and wants.

Which example is a human need?

- A clothing
- B entertainment
- C social media
- D transport

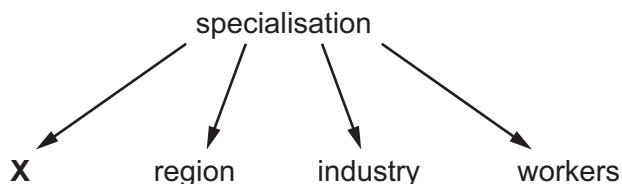
- 2 The table shows numbers of workers (000s) employed in industries in a country.

|             | (000s) |
|-------------|--------|
| agriculture | 1 000  |
| engineering | 4 000  |
| mining      | 600    |
| steelmaking | 3 000  |
|             | 8 600  |

What is the total number of workers employed in the secondary sector?

- A 1 600 000      B 3 000 000      C 4 000 000      D 7 000 000

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



What is **X**?

- A construction
- B country
- C primary
- D tertiary

- 4 A producer of steel bars is dependent on commerce because

- A employees need good working conditions.
- B money from sales is kept in banks.
- C the business is a limited liability company.
- D the products need to be fit for purpose.

- 5 What is a function of a retailer?
- A buying from a wholesaler and selling to consumers
  - B offering cash and carry services to small-scale traders
  - C providing credit facilities to businesses
  - D storing goods ready for distribution to small shops
- 6 A multiple chain store selling clothing decides to expand from a regional chain to a national chain. Which advantage will this expansion achieve?
- A employing fewer staff
  - B offering consumers one-stop shopping
  - C reducing purchasing power
  - D using cost-effective national advertising
- 7 The diagram shows a bar code.



- Which statement about bar codes is correct?
- A A bar code increases human errors.
  - B A bar code attracts more customers.
  - C Bar code data is quickly available to retailers.
  - D Bar codes provide helpful information to consumers.
- 8 A retailer engaged in ecommerce may continue to operate a number of physical stores so that it can offer
- A a delivery system.
  - B an online customer review service.
  - C face-to-face customer service.
  - D payment by credit card.

- 9 The cash price for a motorcycle is \$1500. The credit price is 5% deposit of cash price plus 10 instalments of \$170.

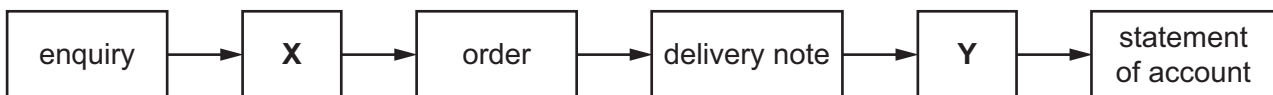
How much does the credit purchase cost?

- A \$170                      B \$1425                      C \$1700                      D \$1775

- 10 Which statement describes the work of del credere agents?

- A They are not responsible for guaranteeing a delivery.  
 B They bring together seller and buyer.  
 C They cannot arrange contracts in their own name.  
 D They guarantee payment is made to the seller.

- 11 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?

|          | <b>X</b>    | <b>Y</b>    |
|----------|-------------|-------------|
| <b>A</b> | credit note | invoice     |
| <b>B</b> | invoice     | credit note |
| <b>C</b> | invoice     | quotation   |
| <b>D</b> | quotation   | invoice     |

- 12 What is **not** a characteristic of a credit note?

- A It is issued when the buyer has been undercharged.  
 B It is used when a buyer has returned damaged goods.  
 C It is usually printed in red or pink.  
 D It will be itemised on the statement of account.

- 13 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%

- 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.

- 15 A company exporting goods may be faced with protectionism.

What does this mean?

- A Countries in a trading bloc may not buy the goods.
- B It will be compulsory to use a free port.
- C Local industries might fail.
- D Tariffs and quotas may be placed on the goods.

- 16 Which trade difficulty is **more** likely to be faced by an importer of tractors than an importer of oranges?

- A availability of cold storage facilities
- B differences in safety standards
- C fixed exchange rates
- D speed of delivery

- 17 BOGOF is a sales promotion that refers to

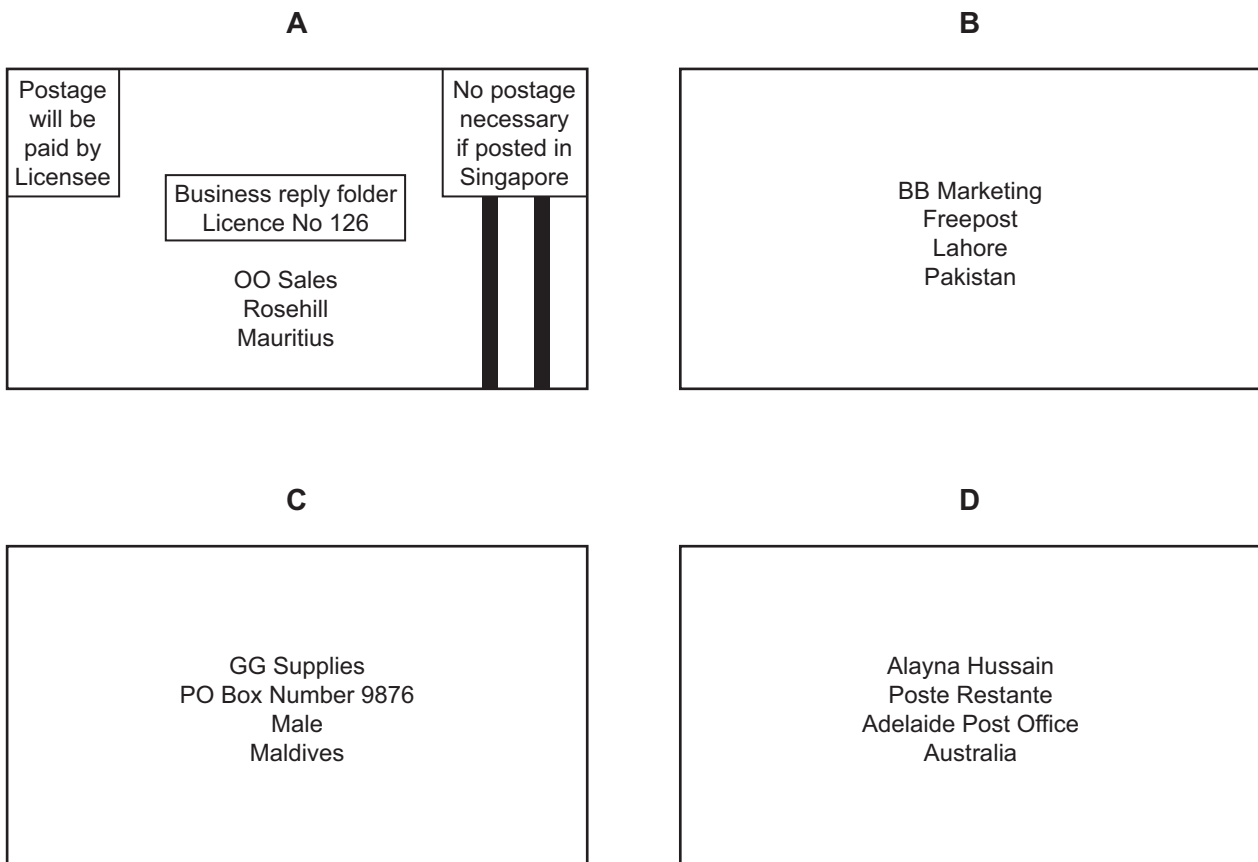
- A buying high quality goods.
- B getting one product free.
- C offering low standard goods.
- D offering two free products.

- 18 Why is communication important in the global market?

- A It enables buyers and sellers worldwide to meet face-to-face.
- B It lengthens the chain of distribution for goods.
- C It reduces transport costs between countries.
- D It speeds the marketing of goods and services.

**19** The diagram shows examples of envelopes used in the postal service.

Which envelope would be collected by a business from its local post office?



**20** 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.

**21** 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

- 22 Which development in transportation has had the **most** impact on reducing costs of moving goods?
- A development of integrated freight transport using standard-sized containers
  - B express road routes reducing travelling times between cities
  - C mass rapid transport systems providing high-capacity movement around cities
  - D more airports and air routes giving more opportunities to travel abroad
- 23 What is a function of warehousing?
- A to maintain supplies
  - B to manufacture goods
  - C to provide after-sales service
  - D to standardise goods
- 24 The picture shows the flow of goods from the manufacturer to the retailer.



- Which statement describes the role of the warehouse in the picture?
- A advertising availability of goods to consumers
  - B providing protection for raw materials
  - C selling directly to the public
  - D storing goods ahead of consumer demand
- 25 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.

**26** Which insurance policy would cover a supermarket against the risk of a cashier stealing the store's money?

- A** employer's liability
- B** fidelity bond
- C** key person
- D** public liability

**27** 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

**28** A bank customer with a current account will

- A** be able to make withdrawals on demand.
- B** be certain of being granted an overdraft if required.
- C** receive a credit card when the account is opened.
- D** receive a safe deposit box.

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

Why would Simeon choose the 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.

30 The following headlines appeared in an African newspaper.

**Water privatisation resulted  
in angry demonstrations**

**EN plc takes over water supply –  
it promises big investment**

What was the **most** likely reason for the demonstrations against privatisation of the water supply?

- A EN plc may bottle the water for export.
  - B EN plc may put up water prices.
  - C Investment in the water supply is not needed.
  - D Water supply may become contaminated.
- 31 In the absence of a deed of partnership, how would the losses be shared out if a partnership ceased to trade?
- A according to each partner's investment
  - B according to seniority of the partners
  - C equally between partners
  - D on the basis of a legal judgement
- 32 What is a feature of a multinational company?
- A branches in host countries
  - B government-owned enterprise
  - C monopoly over product sales
  - D trades in many products
- 33 Which form of capital is often secured to company assets?
- A debentures
  - B government grants
  - C leasing
  - D ordinary shares

- 34** 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

- 35** What is an example of a fixed asset for a car sale and repair business?

- A** advertising new cars for sale
- B** insuring used cars before resale
- C** rebuilding the car showroom
- D** repairing damaged cars

- 36** How could the rate of inventory turnover of a wholesale business be improved?

- A** changing suppliers and buying more expensive products
- B** holding more goods in the warehouse
- C** reducing the amount spent on advertising
- D** setting up a website and starting online shopping

- 37** The acronym PEST is helpful to analyse the external environment.

What factors does PEST stand for?

- A** political, ecological, social and technological
- B** political, economic, social and trade
- C** political, economic, social and technological
- D** political, economic, sustainable and technological

- 38** What will a retailer provide so that a shopper can link quickly to its website?

- A** bar code
- B** brand
- C** pin number
- D** QR code

39 What is the **best** method of recycling glass?

- A burning in a fire
- B dumping at a landfill site
- C putting into a bin in the street
- D putting into a bottle bank

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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