Cambridge O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/13**

Paper 1 Multiple Choice **May/June 2014**

1 hour

Additional Materials: Multiple Choice Answer Sheet

Additional Materials:
(**not** provided by CIE)
Soft clean eraser
Soft pencil (type B or HB is recommended)
Ruler
Protractor

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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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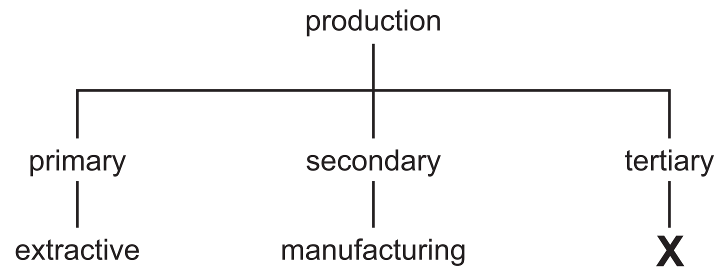
CAMBRIDGE International Examinations

1 The diagram shows the three stages of production.



What is **X**?

A commercial services

B construction

C non-exhaustive industries

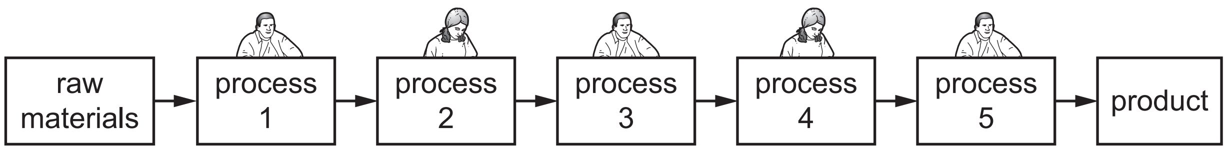
D processing

2 A furniture company buys raw materials for $10 000. It pays $2000 for wages, $1000 for factory rent and $500 in taxes. The furniture manufactured is sold for $25 000.

What is the amount of added value?

A $3500 **B** $11 500 **C** $13 500 **D** $15 000

3 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

4 How do direct services assist industry?

A aiding the education and health of people

B providing the transportation of goods

C supplying raw materials

D taking the risk out of business

5 Why do some retailers buy directly from manufacturers?

A Many retailers want to buy in small quantities.

B Retailers may require urgent deliveries.

C Some retailers may need regular local supplies.

D These retailers have their own warehouses.

6 Which name is given to an out-of-town store which sells a large variety of goods and has a large car park?

A department store

B hypermarket

C supermarket

D variety chain store

7 Ahmed has seen an advertisement for a computer. It includes the words 'credit terms available'.

Which statement explains why he is interested in buying the computer shown in the advertisement?

A Cash vouchers will be offered to him.

B His money will be refunded if he finds he cannot use the computer.

C Payment for the computer can be spread over time.

D The price will be reduced if he pays cash when he buys the computer.

8 To avoid paying interest, credit card holders should pay for their goods

A at the time of purchase.

B before a date given on the monthly statement.

C two months after the purchase date.

D when their goods arrive.

9 A shopkeeper must exchange goods when

A a shopper does not want the goods after they have been paid for.

B a shopper prefers another item after the goods have been paid for.

C goods are deliberately damaged just after they have been bought.

D goods have faults but are supposed to be in perfect condition.

10 The diagram shows a chain of distribution.

producer → retailer → consumer

For which product would this chain of distribution be most suitable?

A a variety of canned foods sold through small-scale retailers

B branded perishable goods sold in supermarkets

C coffee ready for export to a number of countries

D imported raw materials required by manufacturers

11 Which service is provided by wholesalers to manufacturers?

A forecasting the likely changes in the market

B giving information on record-keeping

C operating a cash and carry facility

D providing a wide range of goods

12 What is the function of a Customs Authority?

A collecting statistical information on imports and exports

B deciding on changes in the rates of customs duties to be charged

C maintaining port and airport facilities

D providing warehousing for seasonal goods

13 Which document is sent as a response to an enquiry?

A advice note

B delivery note

C invoice

D quotation

14 Trendy Wholesalers prepared a statement of account for Lee Designs.

STATEMENT OF ACCOUNT

TRENDY WHOLESALERS
CHA CHA ROAD
LUSAKA

To Lee Designs
Selma Road
Lusaka

Month Ending April 30 2014

DATE	DETAILS	DEBIT	CREDIT	BALANCE
		$	$	$
April 1	balance owed			500
April 7	cheque no. 456		475	25
April 7	cash discount		25	0
April 11	invoice no. 579	800		800
April 22	invoice no. 610	700		1500
April 25	credit note no. 12		60	1440

Why was a credit note issued on April 25?

A Cash discount of $60 was given.

B Goods valued at $60 were bought on April 25.

C Goods valued at $60 were returned.

D Payment of $60 was made by cheque.

15 A supplier may allow his customer cash discount

A because he is a regular customer.

B for paying in cash rather than by cheque.

C for prompt payment.

D to allow him to make a profit when re-selling the goods.

16 Mrs Mututu buys 100 dresses at $80 each and sells all of them for $10 000.

What is her percentage mark-up?

A 20% **B** 25% **C** 80% **D** 125%

17 Why might a company benefit from international trade?

A It can charge import duties on foreign goods and services.

B It can expand its trade in the home market.

C It can export goods and services into a larger market.

D It can increase the country's Balance of Payments.

18 What is the term for the difference between the value of exported goods and the value of imported goods?

A Balance of Payments

B Balance of Trade

C invisible trade balance

D visible trade surplus

19 Some countries adopt protective trade measures despite all the advantages of free trade to

A correct a Balance of Payments deficit.

B enable their consumers to have a wider choice of goods.

C encourage interdependence between trading countries.

D widen markets for their own goods.

20 What is **not** a difficulty faced by an exporter?

A communication by Internet

B cost of transport

C language

D methods of payment

21 Why might advertising lead to lower prices?

A Advertising costs are deducted from product prices.

B Competition with other manufacturers might be reduced.

C Costs of advertising are lower than production costs.

D Increased sales can reduce unit costs of production.

22 This advertisement appeared on leaflets given to shoppers in the town centre.

KRAZY DAYS
for
CDs, DVDs, Video Games

Yes folks, we have moved to our new shop at:

No. 7, Star Shopping Centre, The City
(Tel 0127543 or email us at krazydays@net)

What type of advertisement is shown in this leaflet?

A competitive

B generic

C informative

D persuasive

23 Which businesses are most likely to make frequent use of digital billboards to advertise their products or services?

A cash and carry warehouses

B freight forwarders

C international airlines

D small shops

24 What is a method of electronic communication?

A airmail

B letter

C memorandum

D voicemail

25 A customer in Pakistan wishes to inform his UK supplier immediately that a recent delivery was not up to the quality expected.

What would be the most appropriate method of communication?

A email

B pager

C surface mail

D teleconferencing

26 Which document is used in international trade to provide proof of ownership for exported or imported goods?

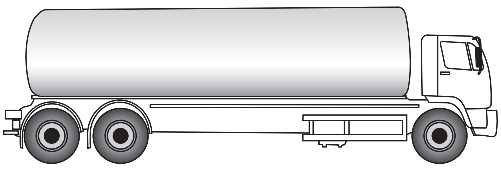
A bill of exchange

B bill of lading

C consignment note

D letter of credit

27 The diagram shows a road vehicle.



Which commodity is **most** likely to be carried in this road vehicle?

A milk

B rubber

C sand

D steel

28 What is **not** an advantage of owning a van to the owner of a florist shop?

A delivering flowers to her customers when required

B displaying her flowers and plants to customers

C providing a method of advertising her business

D reducing the danger of damage to her flowers

29 For each additional day that vegetables are kept in warehouses,

A costs of warehousing are reduced.

B more profit is gained on the capital employed.

C the risk of wastage increases.

D the vegetables increase in value.

30 Which statement about a bonded warehouse is correct?

A Goods can be manufactured while they are in the bonded warehouse.

B Imported goods are stored in the bonded warehouse until their duty is paid.

C Imported goods on which duty has been paid are stored in the bonded warehouse.

D Seasonal goods are stored in the bonded warehouse until they are demanded.

31 Mrs Dube rents a shop and insures the goods only.

Which principle of insurance prevents her from insuring the shop building as well?

A insurable interest

B proximate cause

C subrogation

D utmost good faith

32 Lahore Insurance Company has insured 1000 people for the same risk. The company expects claims totalling $500 000 in the next year.

The business also needs to cover administrative costs of $100 000 and to earn a profit of $200 000.

Which annual premium will the 1000 people pay?

A $500 **B** $600 **C** $700 **D** $800

33 What is an advantage 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.

34 To what is the holder of a bank savings account entitled?

A a cheque book

B a credit card

C a debit card

D money available on demand

35 A bank statement for Miss Chang is shown below. Part of the entry for 13th May is missing.

Bank of Asia Statement for Miss Chang				
		Paid in	Paid out	Balance
1st May	Balance			$560
7th May	Cheque	$300		$860
9th May	DD		$180	$680
13th May	Cheque			$70 O/D
15th May	Cheque	$130		$60
27th May	Cash	$250		$310

What is the correct entry for 13th May?

A $610 paid in

B $610 paid out

C $750 paid in

D $750 paid out

36 What is a firm likely to arrange with its bank to collect monthly payments of variable amounts from a customer?

A bank draft

B credit transfer

C direct debit

D standing order

37 Who owns a public sector organisation?

A directors

B government

C shareholders

D workers

38 What is a general partnership?

A a business unit formed by shareholders

B a business unit with limited liability

C an association of individuals engaged in business

D an organisation able to sue and be sued in its own name

39 What is a source of short-term finance for a business?

A mortgage

B overdraft

C shares

D venture capital

40 Mr Singh is a small-scale retailer. His cost of goods sold in a three-month period was $90 000. His opening stock at cost was $10 000 and closing stock at cost $8000. The value of sales for the period was $100 000 with average stock at selling price $10 000.

What is the rate of turnover for the three-month period?

A 5 **B** 9 **C** 10 **D** 12

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