



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/01**

Paper 1 Multiple Choice

October/November 2007

**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, highlighters, 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.

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.

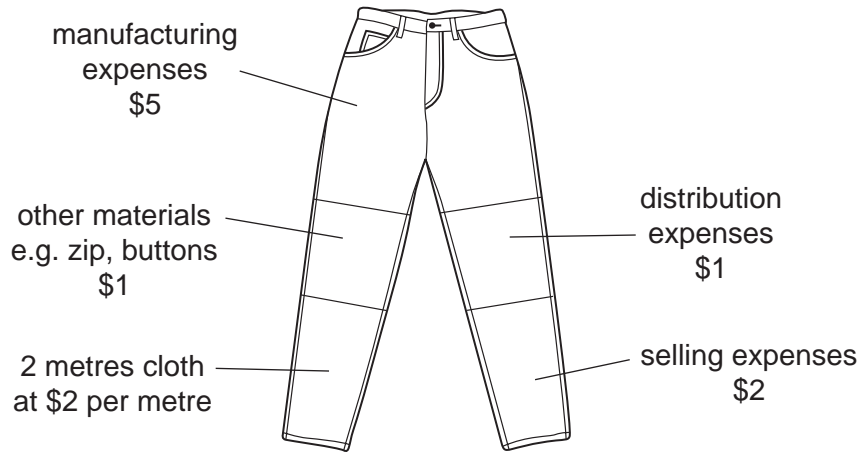
Any rough working should be done in this booklet.

The businesses described in this question paper are entirely fictitious.

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



- 1 What name describes people involved in the distribution of raw materials and finished goods?
- A commercial workers
  - B direct service providers
  - C manufacturing workers
  - D primary producers
- 2 The diagram shows the expenses involved in making and selling a pair of jeans.



How much value is added to the two metres of cloth at the secondary stage of production?

- A \$5
  - B \$6
  - C \$9
  - D \$11
- 3 What is the purpose of trade?
- A to buy and sell goods and services for profit
  - B to convert new materials into finished goods
  - C to distribute surplus goods from producer to consumer
  - D to provide goods to satisfy human wants

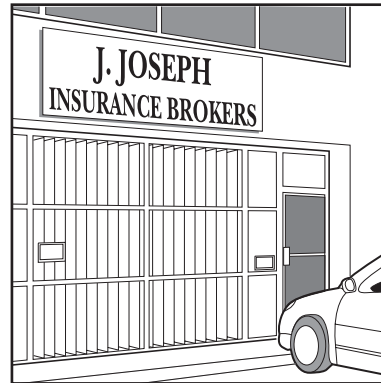
4 The diagrams show four occupations.

Which occupation would be classified as an aid to trade?

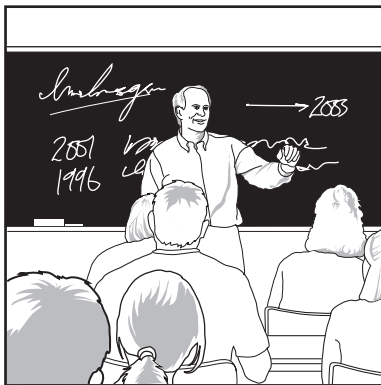
A



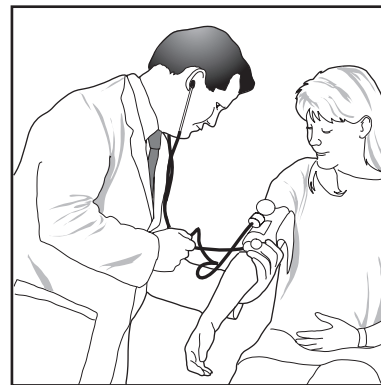
B



C



D



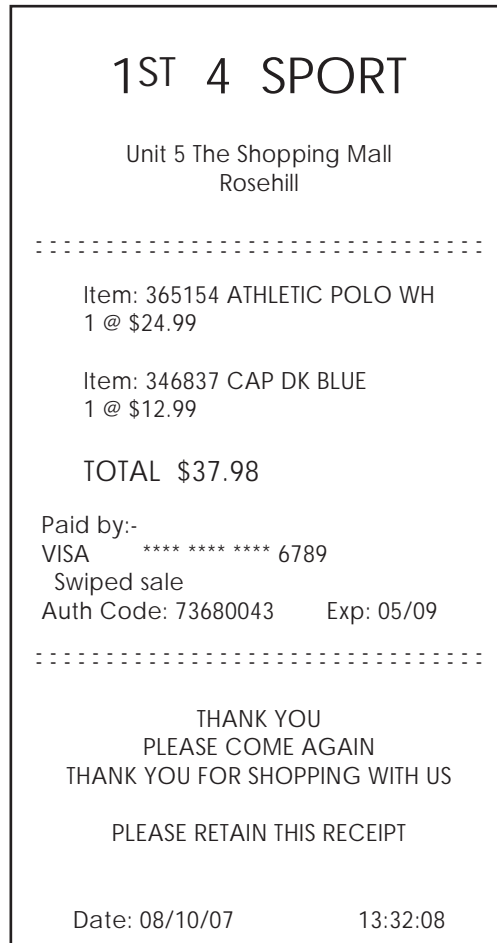
5 Why do so many people set up small retail businesses?

- A A small amount of money is needed to start trading.
- B Banks will lend to retailers without security.
- C It is easy for retailers to make large profits.
- D Many people are trained in shop management.

6 How do retailers assist wholesalers?

- A giving information on new goods available
- B offering advice on the use of goods
- C paying in advance
- D providing information on goods demanded

- 7 What advantage do vending machines have compared with retail shops?
- A They deal with consumers' complaints.
  - B They make greater savings on space.
  - C They offer a wider range of goods.
  - D They sell goods at lower prices.
- 8 The diagram shows a shop receipt.



What kind of terminal would produce this receipt?

- A automatic teller machine (ATM)
- B digital billboard
- C electronic point of sale (EPOS)
- D point of sale

- 9 A wholesaler is most likely to be used when
- A a retailer operates on a small scale.
  - B goods are fragile.
  - C goods are large and expensive.
  - D large orders are made by retailers.
- 10 What will a retailer expect when purchasing from a cash-and-carry wholesaler?
- A cash discount, if a debt is paid within 28 days
  - B long-term credit
  - C no credit and no delivery of goods
  - D prompt delivery of goods
- 11 Which agent advises companies on the best means of moving their goods?
- A broker
  - B del credere agent
  - C factor
  - D freight forwarder
- 12 Which is the correct sequence of documents in a business transaction?
- A enquiry, quotation, order, invoice, statement
  - B invoice, order, enquiry, statement, quotation
  - C order, enquiry, quotation, statement, invoice
  - D quotation, enquiry, order, invoice, statement
- 13 Meercat Office Supplies has received a delivery from a manufacturer of 1000 ink jet cartridges at \$9 each. The invoice shows an amount payable of \$9000 subject to the following terms of payment.

20% trade discount 5% cash discount (7 days)
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If Meercat settles the account within 7 days, how much will the company pay the manufacturer?

- A \$6840      B \$7200      C \$7560      D \$8550

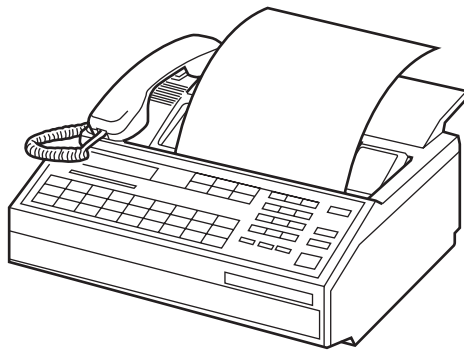
- 14 On which of the following goods is the retailer likely to place the lowest percentage mark-up?
- A** a box of chocolates  
**B** a gold necklace  
**C** a packet of rice  
**D** a pair of shoes
- 15 Which document does a business complete when it puts money into its bank account?
- A** cheque  
**B** credit note  
**C** paying-in slip  
**D** remittance advice
- 16 The diagram shows part of a bank statement.

<b>ORION BANK</b>				
MRS E. BULLER 80 FISH STREET MALÉ MALDIVES			STATEMENT OF ACCOUNT	
			Branch Code	86-06-68
			Account No	00565257
			Date	8.10.07
Date	Description	Withdrawals \$	Credits \$	Balance
2007	BALANCE			1015
4 SEP	CHEQUE 034563	15		1000
6 SEP	INSURANCE	25		975
7 SEP	GAS	100		875
14 SEP	SALARY		1000	
18 SEP	TOP SHOES	400		

What is the balance on 18 September?

- A** \$275                      **B** \$1475                      **C** \$1875                      **D** \$2275

- 17 In which situation would the bank giro credit system be most appropriate?
- A buying clothes from a shop
  - B instructing a bank to pay monthly bills
  - C paying staff wages
  - D withdrawing money from a bank
- 18 How does a computer assist communication and trade in the global economy?
- A It allows a communication network to be established within a multinational company.
  - B It enables rapid communication between traders using email.
  - C It encourages trade between buyers and sellers in the same country.
  - D It provides a means of delivering goods to many parts of the world.
- 19 The diagram shows a method of communication.



Which method of communication is it?

- A email
  - B fax
  - C intercom
  - D telephone
- 20 A parcel is sent by ordinary post.
- On what is the charge based?
- A bulk
  - B shape
  - C value
  - D weight

- 21** Why might advertising lead to lower prices?
- A** It is not expensive.
  - B** It may increase sales and reduce manufacturing unit costs.
  - C** It may reduce competition.
  - D** Its costs are not included in the price of the product.
- 22** What might be used as a method of appeal in an advertisement for sports shoes?
- A** buy one, get one free
  - B** endorsement by a football star
  - C** information on product safety
  - D** mass media such as television
- 23** Millennium Fashions, a successful mail order company, is considering advertising on the Internet. What would be the main advantage?
- A** easier stock control
  - B** no delivery charges
  - C** reduction in warehouse rents
  - D** wider sales area
- 24** Road transport is preferred to rail transport when
- A** goods are easily damaged.
  - B** heavy goods are transported in bulk.
  - C** long distances are involved.
  - D** the weather is bad.
- 25** What is an advantage of the containerisation of goods in sea transport?
- A** avoidance of customs duty
  - B** carriage of all types of goods
  - C** faster turn-around of ships at ports
  - D** quicker unpacking of goods at docks



- 26 A consignment note is used when
- A cargo is transported by ship.
  - B goods are carried by the supplier's vehicle.
  - C goods are delivered by hired transport.
  - D payment is required before despatch of goods.
- 27 Which is a misuse of warehousing facilities?
- A holding goods to create artificial shortages
  - B keeping seasonally produced goods
  - C protecting goods against theft
  - D storing goods ready for packaging
- 28 Which goods are stored in a bonded warehouse?
- A goods from a particular manufacturer
  - B goods manufactured locally for export
  - C goods on which customs duty has not yet been paid
  - D goods produced before they are demanded
- 29 Which statement is true about a comprehensive motor vehicle insurance policy?
- A It covers the owner, the owner's vehicle and the occupants.
  - B It covers the owner, the owner's vehicle and third parties.
  - C It is cheaper than third-party insurance.
  - D It is compulsory for licensing purposes.
- 30 For what does an insurance company use past statistical information to calculate?
- A claims
  - B commission
  - C insurable interest
  - D premiums

31 What are the main divisions of foreign trade?

- A importing and exporting
- B importing and warehousing
- C retailing and exporting
- D retailing and warehousing

32 What would be a disadvantage to a company operating inside a trading bloc such as SADC or ASEAN?

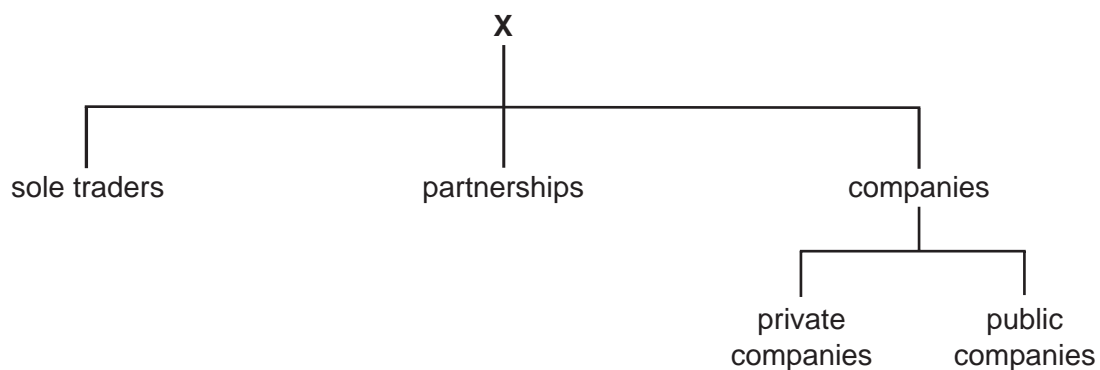
- A Barriers to trade within the bloc would be removed.
- B Grants could be provided in areas of high unemployment.
- C The company would be able to achieve economies of scale.
- D There would be greater competition between companies.

33 A company which imports motor cars is informed by the government that it may only import 500 cars per year.

What is this restriction called?

- A import duty
- B prohibition
- C quota
- D tariff

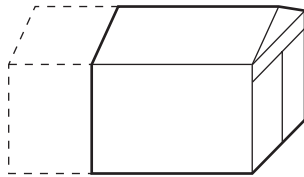
34 The diagram shows some trading organisations.



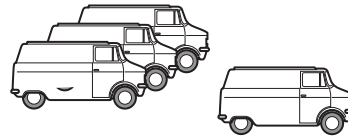
What does **X** represent?

- A government
- B private enterprise
- C public corporation
- D public enterprise

- 35 What would a multinational consider to be the main reason for locating a branch in a developing country?
- A to create jobs in that country  
 B to improve the company's image  
 C to increase the country's workforce skills  
 D to make use of cheap labour
- 36 This diagram shows two ways in which a manufacturer of sportswear plans to expand his business.



enlarge the existing warehouse



buy an additional delivery van

Which source of finance is suitable to cover the cost of **both** of these ways of expansion?

- A bank loan  
 B mortgage  
 C ordinary shares  
 D trade credit
- 37 What forms part of a farmer's fixed assets?
- A cash  
 B cattle feed  
 C fertiliser  
 D tractors
- 38 Mrs Singh runs a general store. She gave the following figures to her accountant.

	\$
opening stock at cost	10 000
closing stock at cost	20 000
cost price of sales	30 000

What is Mrs Singh's rate of turnover?

- A 1                      B 1.5                      C 2                      D 3

39 What is an advantage of buying goods on credit?

- A making an agreement with the credit provider
- B paying interest on the outstanding debt
- C paying more for the goods than the cash price
- D using the goods now and postponing payment

40 An organisation aims to protect the interests of consumers.

Which activity should it **not** do?

- A persuade the government to improve consumer protection
- B provide consumers with information about the performance of products
- C receive grants from producers to pay for its work
- D test products to find out if they are safe

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