



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level



**COMMERCE**

**7100/01**

Paper 1 Multiple Choice

**October/November 2008**

**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

**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.**

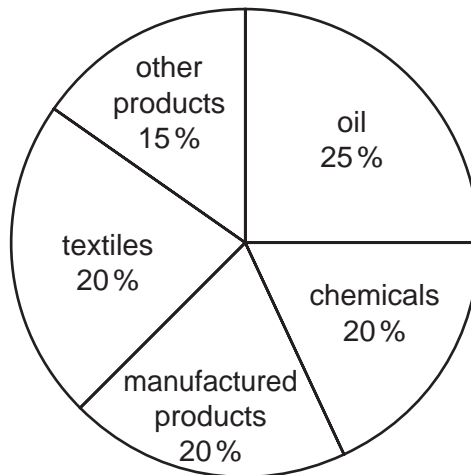
Each correct answer will score one mark. A mark will not be deducted for a wrong answer.  
Any rough working should be done in this booklet.  
The businesses described in this question paper are entirely fictitious.

This document consists of **13** printed pages and **3** blank pages.



\* 3 3 2 4 4 4 3 4 5 4 \*

- 1 In which sector of production is commerce found?
- A industry
  - B primary
  - C secondary
  - D tertiary
- 2 In which sector of production are teachers classified?
- A commercial services
  - B direct services
  - C extractive industry
  - D non-productive services
- 3 Which is the **best** example of specialisation?
- A a husband and wife running a shop together
  - B a part-time cleaner
  - C a self-employed plumber
  - D a worker on a car factory's assembly line
- 4 The pie chart shows a country's trade with other countries for a year.



total value of trade = \$2000 m

What is the total value of trade in oil and chemicals?

- A \$400 m
- B \$500 m
- C \$900 m
- D \$2000 m

5 Why do some retailers buy directly from manufacturers?

- A Retailers have their own warehouses.
- B Retailers need regular local supplies.
- C Retailers require emergency deliveries.
- D Retailers want to buy in small quantities.

6 Which type of retailer is shown below?



- A mail order
- B market trader
- C multiple chain
- D supermarket

7 How can a producer distinguish a product from those of competitors?

- A brand the product
- B give a guarantee
- C improve quality
- D use a price tag

8 Many customers are using credit cards to buy goods and services on the Internet.

What is an advantage of this kind of shopping?

- A delayed payment for purchases
- B immediate delivery of goods
- C lower prices than chain stores
- D personal contact with seller

9 Which question should a customer consider before buying goods on credit?

- A Are the goods fit for the purpose?
- B Do the goods represent value for money?
- C What discount will be given by the retailer?
- D What is the difference between the cash price and the credit price?

10 What is the advantage of a hire purchase agreement to a buyer?

- A Discount will be given on the initial sale.
- B Non-durable goods can be purchased.
- C Payments can be made by regular instalments.
- D The buyer becomes the owner of the goods on paying the deposit.

11 When selling goods to the public, a large-scale retailer uses the items shown below.

Which item is concerned with protecting the consumer when buying goods?

**A**

**Application for store card**

Customer details

Name: .....

Address: .....

Tel No: .....

Age: .....

Date of birth: .....

**B**

**Product Guarantee**

Product details

Store: .....

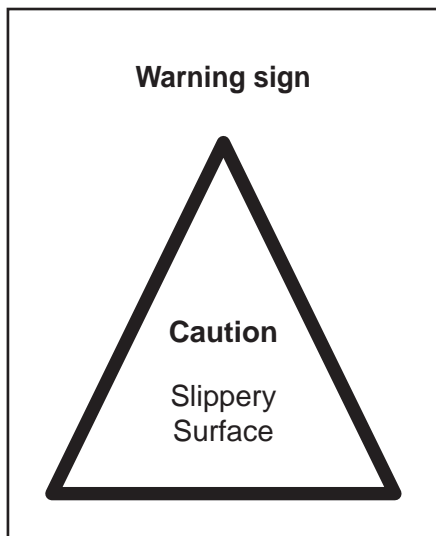
Customer: .....

Product: .....

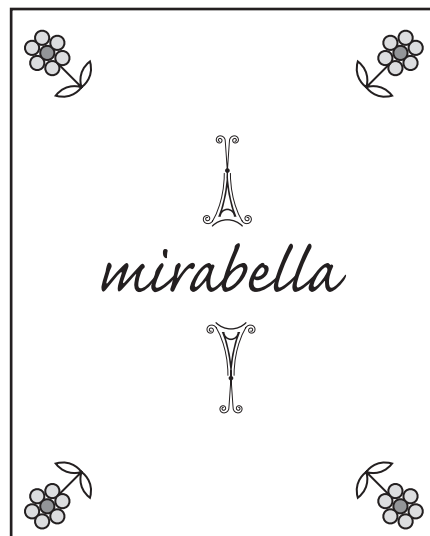
Product No: .....

Date of purchase: .....

**C**



**D**



12 To prevent a decline in their trade, traditional wholesalers have set up

- A** bonded warehouses.
- B** cash and carry warehouses.
- C** hypermarkets.
- D** multiple chains.

- 13 What does a broker engaged in foreign trade receive as payment for his services?
- A commission
  - B interest
  - C profit
  - D wages
- 14 Why might a wholesaler obtain quotations from a number of manufacturers?
- A to find the best prices and terms of sale
  - B to give work to many manufacturers
  - C to obtain documents for accounting purposes
  - D to request refunds for goods returned to suppliers
- 15 An extract from an invoice received by a retailer is shown below.

20 cases	canned pineapple @ \$10 per case	\$200
	less 20% trade discount	\$40
	Total	\$160

If two damaged cases of pineapple are returned, what should the supplier send to the retailer?

- A a credit note for \$20
  - B a credit note for \$16
  - C an invoice for \$144
  - D a receipt for \$16
- 16 To encourage buyers to pay promptly for their goods, a seller provides
- A cash discounts.
  - B free gifts.
  - C gift vouchers.
  - D trade discounts.

- 17 'Tourists from Japan visiting the UK spend money while they are there and, by doing so, they contribute to the UK's balance of payments with .....

Which phrase completes this statement?

- A invisible exports
  - B invisible imports
  - C visible exports
  - D visible imports
- 18 A country has the following pattern of imported goods and exported goods:

Total imported goods	Total exported goods
\$460 m	\$520 m

What is that country's Balance of Trade?

- A \$60 m deficit
  - B \$460 m deficit
  - C \$60 m surplus
  - D \$980 m surplus
- 19 Which difficulty makes exporting more complicated than trading in the home market?
- A capital
  - B currencies
  - C statistics
  - D subsidies
- 20 Which advertising slogan is an example of collective advertising?
- A 'It's you who makes Mosang fruit juice great.'
  - B 'HMR mixer feeders: an asset a farmer cannot do without!'
  - C 'Put your best foot forward in Footsie shoes!'
  - D 'There is more to meat than meets the eye!'

- 21 Which advertising medium would a manufacturer use to give detailed information about a product?
- A daily newspaper
  - B poster
  - C radio
  - D trade journal
- 22 What would be the **most** effective method of promotion to sell a new model of car?
- A endorsement by a motor-racing driver
  - B free servicing and replacement parts for one year
  - C paid subscription to a motoring magazine
  - D use of the car to test drive for a day
- 23 A customer in Pakistan wishes to inform his UK supplier that a recent delivery was not up to the ordered quality.
- Which would be the most appropriate method of communication?
- A email
  - B pager
  - C surface mail
  - D teleconferencing

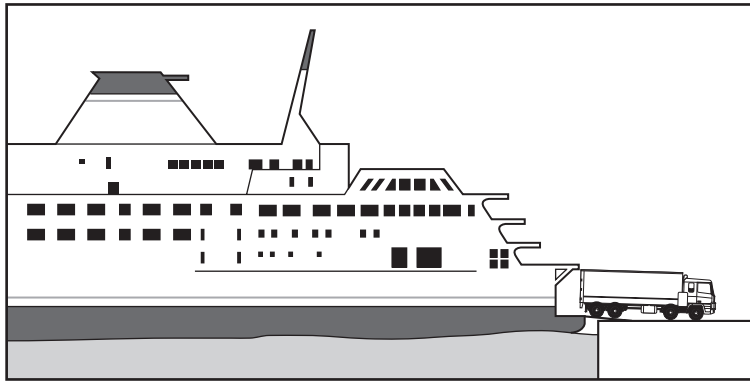


24 Which method of communication is shown in the diagram?



- A answering machine
  - B fax machine
  - C mobile phone
  - D video phone
- 25 Which advantage does air transport have over road transport?
- A Bulk goods may be carried.
  - B It is cheaper over short distances.
  - C It is quicker over long distances.
  - D There is no packaging of goods.

26 The picture shows a roll-on, roll-off ferry.



What is the advantage of using this type of ship to move goods?

- A Goods can be transhipped without unpacking.
  - B It is suitable for sending low value goods in bulk.
  - C The goods cannot be lost in transit.
  - D There is no need for customs officers.
- 27 Which service is provided by a port authority?
- A collecting revenue for the government
  - B inspecting immigration documents
  - C maintaining the docks
  - D supervising bonded warehouses
- 28 Warehousing is unlikely to be part of the chain of distribution for
- A canned food.
  - B clothes.
  - C milk.
  - D toys.

- 29 Mr Chang is advertising his cash and carry warehouse. His advertisement includes the following information which is not accurate for a cash and carry warehouse.

*Chang's Cash and Carry Warehouse*

offers

**discounted prices**  
**extended credit**  
**free car parking**  
**variety of goods**

open 7 days a week!


Which part of his advertisement is not accurate?

- A** discounted prices
- B** extended credit
- C** free car parking
- D** variety of goods
- 30 Why do businesses use insurance?
- A** to increase sales
- B** to make a profit
- C** to protect against risks
- D** to reduce competition
- 31 Which risk is uninsurable?
- A** a cyclist having an accident
- B** a factory being flooded
- C** a firm going bankrupt
- D** a footballer breaking a leg
- 32 A factory worth \$1 200 000 is insured jointly by three companies **X**, **Y** and **Z**.  
 Company **X** covers 50 % of the risk, **Y** covers 30 % and **Z** covers 20 %.
- Under the principle of contribution, for how much would **Y** be liable in the event of a total loss?
- A** \$240 000      **B** \$360 000      **C** \$600 000      **D** \$1 200 000

33 Which type of bank account may be overdrawn?

- A a current account
- B a deposit account
- C a loan account
- D a savings account

34 The diagram shows a cheque.

	<b>Modern Bank</b>	40-56-17 Date <u>3 Nov '08</u>	
Pay <u>Indira Virji</u>		<div style="border: 1px solid black; padding: 2px; display: inline-block;">\$ 90 - 00</div>	
The sum of <u>Ninety dollars only</u>		<u>Sanjay Singh</u>	

What type of cheque is shown in the diagram?

- A a blank cheque
- B a crossed cheque with a general crossing
- C a crossed cheque with a special crossing
- D an open cheque

35 Which banking service is **not** available to customers who use the Internet for banking?

- A obtaining overdrafts
- B paying into creditors' bank accounts
- C using direct debits
- D withdrawing cash

36 Eagle Dairies wishes to relocate its dairy.

What will be the **most** important factor when looking for a suitable site?

- A availability of local transport firms
- B nearness to markets
- C supplies of water
- D skills of local workforce

- 37 Which of the following has many owners and is in the private sector?
- A Dlamini & Phiri, Solicitors
  - B Ibrahim Patel, Builder
  - C Orion Bank Ltd
  - D The National Waste Disposal Corporation
- 38 What is a multinational company?
- A a company with branches in one country
  - B a firm offering franchises to individuals
  - C a government-owned enterprise
  - D a large company with branches in many countries
- 39 Which source of finance would be **most** suitable for a large company planning to modernise its manufacturing equipment?
- A bank loan
  - B factoring
  - C overdraft
  - D trade credit
- 40 During October a retailer buys 1000 articles for \$20 each. She sells all of them with a mark up of 30%. Her expenses total \$2000.
- What is her turnover for the month?
- A \$18 000      B \$20 000      C \$24 000      D \$26 000





