

Cambridge O Level

COMMERCE**7100/11**

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

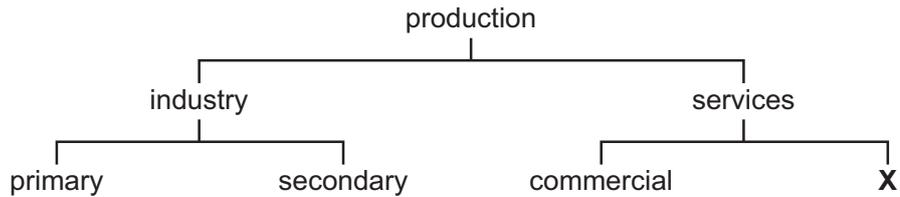
- There are **forty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple 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.

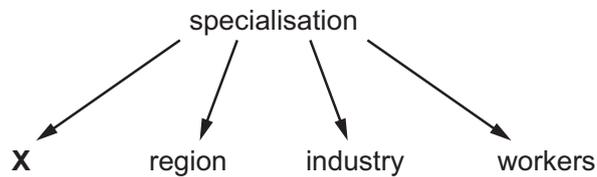
This document has **12** pages. Blank pages are indicated.

- 1 The diagram shows the branches of production.



What is X?

- A aids to trade
 - B direct
 - C manufacturing
 - D trade
- 2 The diagram shows a number of ways in which specialisation occurs.



What is X?

- A construction
 - B country
 - C primary
 - D tertiary
- 3 What is an example of commerce?
- A a factory owner using an accountant to prepare his accounts
 - B a farmer rearing sheep on his farm
 - C a manufacturer using iron to make steel products
 - D a shop owner buying insurance to protect her property
- 4 Which retail outlet is large, usually situated in the centre of town, and sells many types of goods?
- A department store
 - B hypermarket
 - C speciality shop
 - D voluntary chain

5 Which advantage to customers might a small-scale retailer have compared to a large-scale retailer?

- A It buys in bulk at discounted prices.
- B It employs many staff.
- C It is conveniently located.
- D It offers a wide variety of goods.

6 What is an advantage to a small business of ecommerce?

- A It can choose in which country to pay its tax.
- B It can set up outlets in many countries.
- C Its labour force is recruited worldwide.
- D Its potential market is international.

7 Mr X buys a car for \$4000 on hire purchase over a 5-year period.

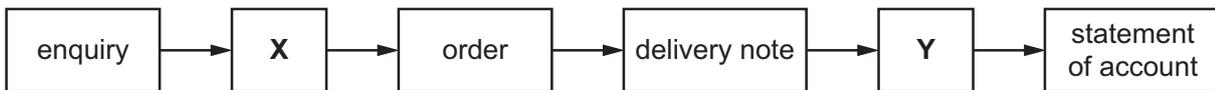
If he makes the required 25% deposit and monthly repayments of \$70, how much will he have paid in interest?

- A \$200 B \$840 C \$1200 D \$4200

8 What is the name of the intermediary in international trade who sells goods in his own name?

- A broker
- B factor
- C forwarding agent
- D wholesaler

9 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?

	X	Y
A	credit note	invoice
B	invoice	credit note
C	invoice	quotation
D	quotation	invoice

10 The table shows information about a transaction between a wholesaler and a retailer.

return of packing cases to the wholesaler	\$100
return of damaged goods to the wholesaler	<u>\$400</u>
total	\$500

Which action is **most** likely to be taken by the retailer?

- A Send a cheque for \$500 to the wholesaler.
 - B Send a new order to the wholesaler.
 - C Wait to receive a credit note from the wholesaler.
 - D Wait to receive an invoice from the wholesaler.
- 11 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%
- 12 Cash discount offered to customers means that they pay less than the full amount if
- A goods are purchased by cash.
 - B goods are purchased by cheque.
 - C payment is made after interest is given.
 - D payment is made in the agreed time period.
- 13 The development of world trade into a single economy is known as
- A globalisation.
 - B industrialisation.
 - C nationalisation.
 - D specialisation.

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 What is a function of a customs authority?
- A arranging trade between countries
 - B collecting duties on imports
 - C delivering goods to buyers
 - D re-exporting goods previously imported
- 16 Free trade takes place when
- A exports are subsidised by governments.
 - B the level of imports needs to be reduced.
 - C there are no trade restrictions between countries.
 - D trade takes place without the use of money.
- 17 What is likely to be advertised using collective advertising?
- A branded product
 - B cleaning service
 - C holiday region
 - D seasonal sale
- 18 Mr Ramasinghe is a small-scale retailer who has a shop in a town. He wishes to advertise his business.
- Which advertising method would be **least** suitable for him to use?
- A auction websites
 - B flyers
 - C local newspapers
 - D window displays
- 19 A supermarket is opening a new store in a town centre.
- Which sales promotion technique will attract the most customers?
- A after-sales service
 - B late night opening
 - C loss leaders
 - D point-of-sale displays

20 A manufacturer of soft drinks has paid to have its products shown during a television show.

What is this called?

- A** digital billboard
- B** mobile app
- C** product placement
- D** social media advertising

21 Why is communication important for a multinational company operating in the global market?

- A** to allow it to sell more goods in the home market
- B** to enable the company to operate as a single unit
- C** to reduce tariffs and quotas imposed in international trade
- D** to transport goods from its warehouses to airports and ports

22 Mrs Azam wishes to send a valuable item to her son who lives 500 km away.

Which postal service would she use?

- A** express mail
- B** first class letter post
- C** poste restante
- D** registered post

23 What is an advantage of using a mobile phone rather than a landline?

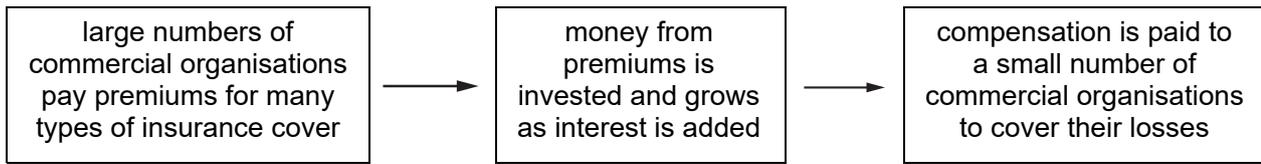
- A** It is difficult to steal.
- B** It is used only for local calls.
- C** It may be used anywhere.
- D** It requires a signal to operate.

24 For which consignment would delivery by air transport be suitable?

- A** daily delivery of perishable goods to supermarkets
- B** large quantities of iron ore from Australia to Taiwan
- C** medical supplies from London to Cape Town
- D** sand in bulk from the Middle East to Australia

- 25 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
- 26 Which commercial term describes the management of the flow of goods?
- A containerisation
 - B ecommerce
 - C leasing
 - D logistics
- 27 Which statement **best** describes the function of a freight forwarder?
- A arranges transport, organises customs clearance, prepares documentation
 - B breaks bulk, negotiates import duty, delivers products
 - C negotiates purchase contracts, arranges transport, pays for goods
 - D organises shipments, negotiates customs clearance, pays for goods
- 28 What is a function of warehousing?
- A to maintain supplies
 - B to manufacture goods
 - C to provide after-sales service
 - D to standardise goods
- 29 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.

- 30 The diagram shows how insurance companies are able to pay financial compensation to commercial organisations who suffer accidental loss.



Which term describes the process shown in the diagram?

- A contribution and subrogation
 - B economies of scale
 - C insurable interest
 - D pooling of risk
- 31 Which business risk is non-insurable?
- A fidelity bond
 - B fire damage
 - C motor accident
 - D poor management
- 32 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
- 33 Mrs Rashid runs a stall in a local market selling home-grown produce to customers.
- Which banking service is she **not** likely to need in her business?
- A current account
 - B deposit account
 - C night safe
 - D overdraft

34 Many debit cards now display the sign for contactless payments.



What **additional** service is provided to users of these debit cards?

- A making small payments without entering a pin number
- B obtaining cash back when using the card and a pin number
- C paying for goods and services purchased online
- D using the card to obtain local currency in another country

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

Why would Simeon choose a 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.

36 When all the assets of a limited company that has ceased to trade have been sold, it still has liabilities of \$250 000.

To pay off that debt, how much will each of its 20 shareholders be liable for?

- A \$12 500
- B a contribution determined by the type of share they own
- C a contribution determined by the value of their shareholding
- D zero liability

37 Which advantage in an advertisement for a leasing company would be the **most** important to a business that provides regular delivery of goods all over the country?

- A All types of vans are available.
- B A new van is provided every two years.
- C No capital costs are involved in purchasing a van.
- D Roadside breakdown assistance is included in the rental charge.

- 38 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

- 39 Which system does **not** rely on the climate to produce cleaner energy?

- A anaerobic digesters
B hydroelectricity
C solar panels
D wind farms

- 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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