



# Cambridge O Level

**COMMERCE**

**7100/12**

Paper 1 Multiple Choice

**May/June 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.

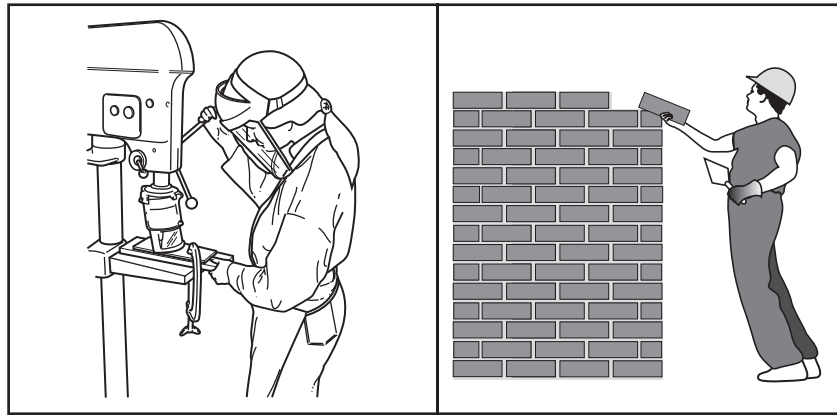
## INFORMATION

- 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 Which type of productive activity is shown in the pictures?



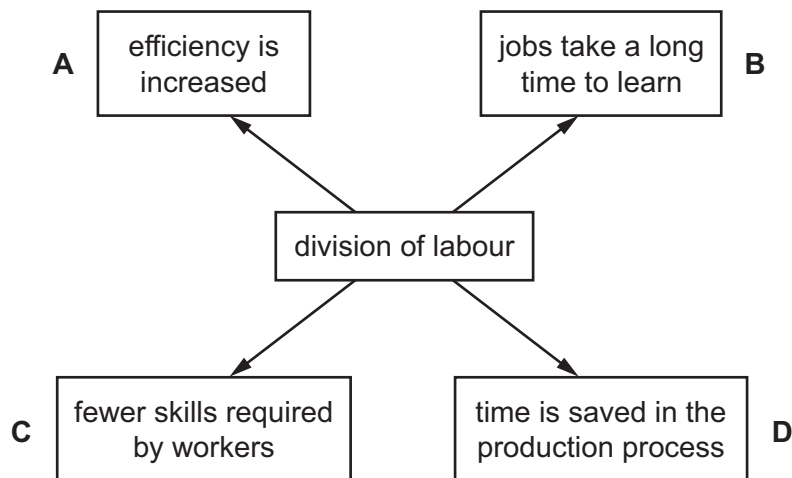
- A commercial
- B direct services
- C extractive
- D secondary

2 Which of the following is a primary industry?

- A factory
- B fruit farm
- C general warehouse
- D supermarket

3 The diagram shows some of the advantages of division of labour in manufacturing.

Which advantage means that it is possible to employ fewer qualified people?



4 Which aids to trade are used by sellers to contact buyers?

- A banking and transport
- B communication and advertising
- C insurance and communication
- D transport and warehousing

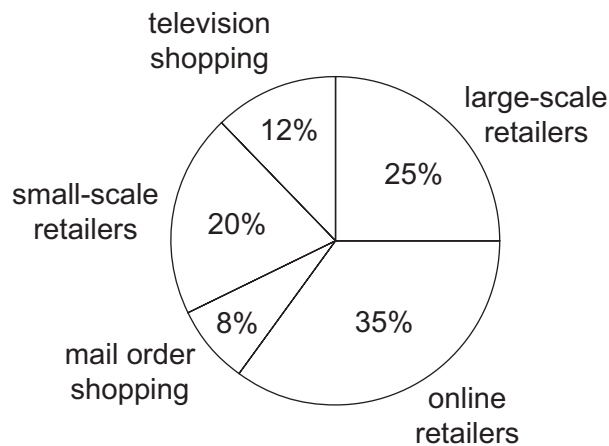
5 What is a feature of a supermarket?

- A competitive prices
- B luxurious shopping facilities
- C many sales floors
- D specialised sales staff

6 Which factor accounts for the continued existence of small-scale retailers?

- A customers can handle and inspect goods
- B low prices
- C purchases through a voluntary chain
- D small range of goods

7 The pie chart shows percentages of sales revenue received from different methods of selling.



Which percentage of sales revenue was received by retailers without a physical store?

- A 20%
- B 37%
- C 45%
- D 55%

- 8 What is an advantage to a buyer of purchasing on credit?
- A Credit agreements are easy to understand.
  - B Credit is available to anyone.
  - C Discounts are usually available.
  - D Payment is postponed until a later date.
- 9 Which person is **not** an intermediary?
- A broker
  - B factor
  - C producer
  - D wholesaler
- 10 Joe, a small-scale producer of toys, has seen an advertisement offering help with exporting.

**DO YOU WANT TO EXPORT?**

Let us take away the work and worry  
of selling your goods abroad  
by buying all your products  
at competitive prices.

**WE WILL DO THE REST!**

Which type of business would have placed this advertisement?

- A export merchant
  - B freight forwarder
  - C import agent
  - D insurance broker
- 11 What would be sent to a customer who requires information on goods offered for sale?
- A advice note
  - B catalogue
  - C enquiry
  - D order

- 12 A wholesaler sells 50 chairs to a retailer at a price of \$25 each, less 20% trade discount. The retailer returns 8 faulty chairs.

How much should the wholesaler send a credit note to the retailer for?

- A \$160                      B \$200                      C \$1050                      D \$1250

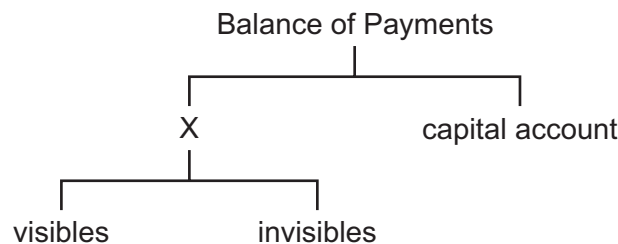
- 13 What is meant by *mark-up*?

- A amount added to cost price  
 B amount added to selling price  
 C amount of sales revenue  
 D amount of stock turnover

- 14 How much would a buyer pay when given 5% cash discount on an item originally priced at \$1200?

- A \$60                      B \$1140                      C \$1195                      D \$1200

- 15 The diagram shows the Balance of Payments.



What is X?

- A current account  
 B deposit account  
 C free trade  
 D re-export trade
- 16 What is an example of earnings on a country's Balance of Payments?
- A aid which the country gives to poorer countries  
 B families from the country holidaying abroad  
 C money spent on the country's imports  
 D transport services which the country provides for other countries

17 Why do firms advertise?

- A to even out prices
- B to fight competition
- C to increase prices
- D to mislead customers

18 Which method of appeal would work **best** in an advertisement for ice cream?

- A affluence
- B ambition
- C fear
- D music

19 Sienna, a designer of fashion accessories, wants to promote her products to a wide audience at low cost.

Which method is **most** likely to meet these requirements?

- A displaying the accessories at a local hotel
- B hiring a celebrity to wear the accessories
- C paying for product placement on TV shows
- D using social media to interact with customers

20 Which information communicated to consumers is constantly changing throughout the day?

- A customs duties charged at an airport
- B prices of new cars in car showrooms
- C toll charges on highways
- D world prices of stocks and shares

21 The table shows information about sending letters.

weight up to	price
100 g	\$0.40
250 g	\$0.70
500 g	\$0.90
750 g	\$1.40

How much does it cost to send a letter weighing 600 g?

- A** \$0.40      **B** \$1.30      **C** \$1.40      **D** \$2.40

22 Recent developments in communication mean the method of purchasing tickets at some railway stations has changed.

What communication device might be used?

- A** desk top computer  
**B** intranet  
**C** touch interface  
**D** voicemail

23 What is **not** the responsibility of a port authority?

- A** collecting customs duties  
**B** dredging the harbour  
**C** installing re-fuelling facilities  
**D** providing unloading equipment

24 A manufacturer sends goods to a wholesaler using his own transport.

What document would accompany the goods?

- A** consignment note  
**B** credit note  
**C** delivery note  
**D** order form

25 What is a function of warehousing?

- A to enable production to take place ahead of demand
- B to help large-scale retailers to expand
- C to provide credit for buyers
- D to sell goods as cheaply as possible

26 Which service does a regional distribution centre provide for its retailers?

- A cash discount
- B display of goods
- C regular delivery
- D trade credit

27 Mrs Rajapaksa operates a small shop. She uses a cash and carry warehouse to obtain her supplies.

This means she has to

- A deal with sales representatives.
- B pay her account each month.
- C show her membership card.
- D wait for goods to be delivered.

28 Which insurance cover is a transport company required to have by law to carry goods for its customers?

- A cash in transit
- B consequential loss
- C public liability
- D third party

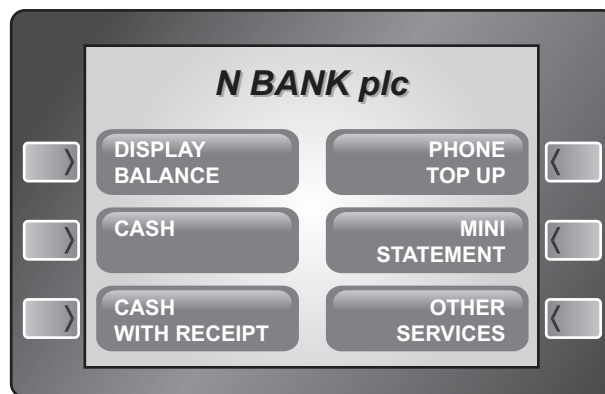
29 A ship worth \$200m is insured jointly by three companies under the principle of contribution. Company X covers 50% of the risk, Y covers 30% and Z covers 20%.

How much would company Y be liable for if the ship is lost?

- A \$40 m
- B \$60 m
- C \$120 m
- D \$200 m



- 30 Which insurance document is a contract between the insured and the insurance company?
- A certificate of insurance
  - B claim form
  - C insurance policy
  - D proposal form
- 31 Which person, employed by an insurance company, assesses the amount of compensation paid after an insurance claim?
- A actuary
  - B insurance agent
  - C loss adjuster
  - D underwriter
- 32 The diagram shows the screen of an ATM.



What might be included in 'other services'?

- A arranging an appointment with the bank
  - B offering investment advice
  - C safeguarding valuable items
  - D transferring funds between accounts
- 33 Which statement describes a cashless society?
- A closure of bank branches
  - B electronic payments replacing notes and coins
  - C elimination of the cheque system
  - D reduction in bank staff

- 34 Which factor will a chain of fast food outlets consider when deciding where to locate a new restaurant?
- A amount of competition in the area
  - B demand for fast food throughout the country
  - C greater popularity of drive-in restaurants
  - D increase in the price of fast food
- 35 Who elects directors in public limited companies?
- A employees
  - B government
  - C ordinary shareholders
  - D preference shareholders
- 36 The picture shows a customer asking for a bank loan to start a new business.



Why will the bank manager be **more** willing to lend if the business is operated as a franchise?

- A Franchise businesses come with ready-made business plans.
  - B Franchise businesses have a higher survival rate than sole traders.
  - C Franchisees are seen as being more skilled at business.
  - D Franchisors pay some of the initial start-up costs.
- 37 Which description of the rate of inventory turnover is correct?
- A average delivery time for all products ordered during a trading period
  - B number of times the average stock is sold during a year
  - C total number of employees leaving during a year
  - D total sales during a trading period

- 38 The net profit of PP Partnership is 10%. Four partners are in conversation about how it can be improved.

Which partner makes the **best** suggestion?

**A**



We should increase our stock turnover.

**B**



We need to improve our gross profit.

**C**



We should hire more staff for the office.

**D**



We should move our factory to an area with lower rents.

- 39 How might a multinational company reduce its carbon footprint?

- A advertise its products using digital billboards
- B conduct regional meetings through video-conferencing
- C stop giving efficiency ratings on its appliances
- D use its own transportation vehicles for delivery

- 40 Why does a government have consumer protection laws?

- A Consumers are safeguarded from unscrupulous traders.
- B Consumers want a bargain when buying a product.
- C Retailers are encouraged to trade legally.
- D Retailers can make profits from consumers.

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