



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1 Multiple Choice

October/November 2009

1 hour

Additional Materials: Multiple Choice Answer Sheet
Additional Materials Soft clean eraser
(**not** provided by CIE): 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 **11** printed pages and **1** blank page.



1 What is the name given to those activities that help to provide customers with goods and services?

- A direct services
- B division of labour
- C production
- D trade

2 Which statement about commerce is correct?

- A Commerce begins after production is completed.
- B Commerce is part of production.
- C Production begins after commerce is completed.
- D Production is part of commerce.

3 The table shows the number of people employed productively in a country.

commercial services	200 000
direct services	70 000
farming and fishing	280 000
manufacturing and building	350 000
	900 000

How many people are employed in the secondary sector of production?

- A 70 000 B 200 000 C 280 000 D 350 000

4 Why are there more new businesses in the retail trade than in manufacturing?

- A Few skills are required to run a retail outlet.
- B More capital is required to start retail trading.
- C Retailers can obtain bank loans without collateral security.
- D The retail trade is more profitable than manufacturing.

- 5 The picture shows a label from an article of clothing.



What is the purpose of the label?

- A to assist with packaging the product
 - B to enable the price to be changed electronically
 - C to make the product recognisable to customers
 - D to provide details about the product
- 6 What advantage does Coolsounds Ltd have from selling its CDs and DVDs over the Internet?
- A It avoids the high costs of e-commerce.
 - B It does not need a website to advertise its products.
 - C It gains access to a global market for music.
 - D It has reduced the need to transport its products.
- 7 Ahmed has seen an advertisement for a computer. It includes the words 'credit terms available' after the price shown.
- 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 when he buys the computer.
- 8 Why might a consumer organisation advertise?
- A to improve consumer awareness
 - B to inform consumers of new products
 - C to persuade consumers to buy
 - D to remind consumers of existing products

- 9 A sale of goods act requires the seller to supply goods that are
- A fit for purpose.
 - B not over-priced.
 - C of reasonable quality.
 - D tested before use.
- 10 What has contributed to the elimination of the wholesaler?
- A after-sales service
 - B cash and carry
 - C growth of large scale retailing
 - D hire purchase
- 11 What is the function of brokers?
- A to auction goods to the highest bidder
 - B to bring buyers and sellers together
 - C to guarantee that the goods imported will be sold
 - D to take possession of goods and to sell them in their own name
- 12 What does a buyer issue to find out the terms offered by a supplier?
- A delivery note
 - B enquiry
 - C order form
 - D quotation

- 13 A manufacturer makes a pair of jeans. The costs are as follows.

materials	\$30
labour	\$20
overheads	\$30

The manufacturer marks up all its retail prices by 50 %.

What is the selling price of the jeans?

- A \$60 B \$80 C \$120 D \$160

14 Why are imports important to a country?

- A Greater variety of goods are made available.
- B More money is brought into the country.
- C The Balance of Trade is improved.
- D They compete with local industry.

15 The table shows trade figures for Country X.

Country X	\$ million
total exports of goods	2300
total imports of goods	1700
services provided by Country X to other countries	300
services provided to Country X by other countries	800

What is the Balance of Payments for Country X?

- A +\$100 m B +\$500 m C +\$600 m D +\$1100 m

16 Which is a function of a customs authority?

- A controlling airports
- B fixing rates of duty
- C maintenance of ports
- D prevention of smuggling

17 How do trading blocs, such as ASEAN and SADC, help to increase international trade?

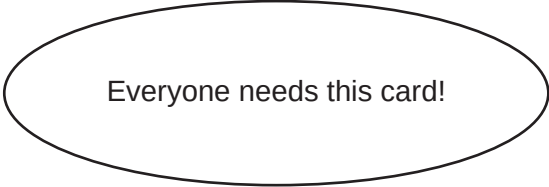
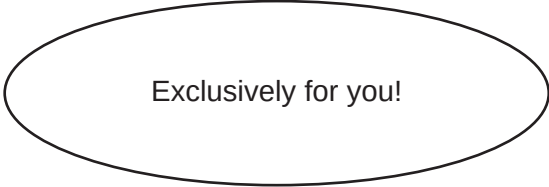
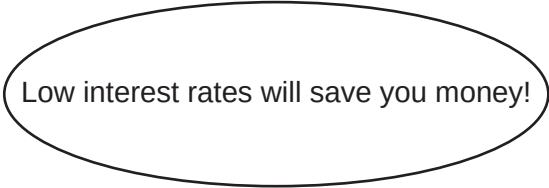
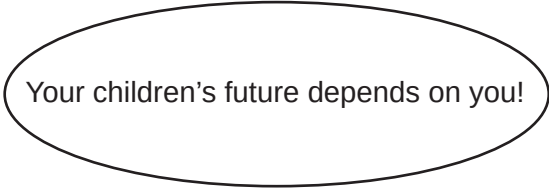
- A by ensuring that member countries export enough to pay for imports
- B by imposing quotas on member countries
- C by reducing the need for customs authorities
- D by removing import tariffs among member countries

18 Why do firms advertise?

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

- 19** An international bank intends to advertise a new credit card using prestige and high status as a method of appeal to customers.

Which slogan would be most suitable?

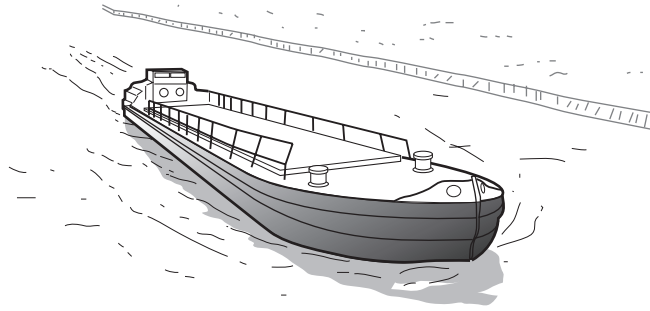
A 	B 
C 	D 

- 20** Communications play an important part when trade takes place within the global economy.

Which reason best explains the above statement?

- A** Communications support all commercial transactions within a country.
 - B** Communications link traders in all parts of the world.
 - C** Different currencies are required for overseas trade.
 - D** Fax and email can be used to communicate written messages.
- 21** Which telecommunication service allows discussion between people in different places at the same time?
- A** e-mail
 - B** fax
 - C** paging
 - D** videoconferencing
- 22** Which postal service would a large business organisation use to send monthly statements or accounts to its customers?
- A** business reply
 - B** express mail
 - C** letter post
 - D** registered mail

23 The diagram shows a barge/bumboat.



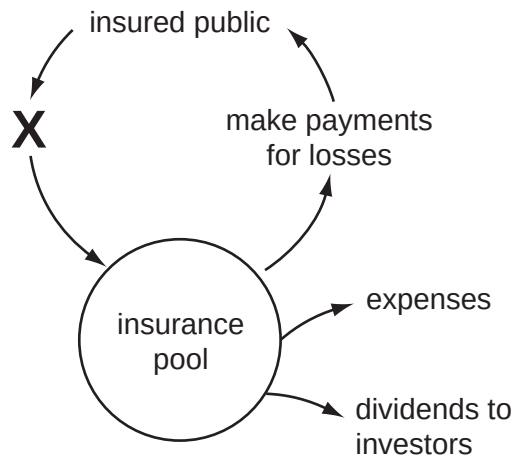
What is most likely to be transported by this method?

- A food
 - B fruit
 - C machinery
 - D sand
- 24 Consignment notes are used when delivering goods by
- A container ships.
 - B independent transport firms.
 - C manufacturer's own trucks.
 - D pipelines.
- 25 What is required for the good running of a warehouse?
- A cash and carry on all sales
 - B efficient distribution of goods
 - C refrigeration for all foods
 - D manufacturing facilities for goods
- 26 Which statement describes a cash and carry warehouse?
- A located close to ports and airports
 - B sells goods on credit
 - C specialises in one type of goods
 - D wholesale supermarket

27 When are imported goods released from a bonded warehouse?

- A when customs duty is paid on the goods
- B when the exporter gives approval
- C when the goods have been prepared for sale
- D when rent is paid to the warehouse owner

28 The diagram shows the pooling of risk.



What is the missing statement marked X?

- A invest funds
- B make claims
- C pay premiums
- D receive policies

29 The 'insured' is the name given to the

- A insurance company offering insurance.
- B payment made for insurance.
- C person who is covered by insurance.
- D property that is covered by insurance.

30 Which statement is true of a bank current account?

- A It allows withdrawal by cheque.
- B It gives the account-holder a high interest rate.
- C It is used as a means of long-term saving.
- D It requires a week's notice before withdrawal.

31 A bank statement for Miss Chang is shown below. Part of the entry for 12th October is missing.

Bank of Asia Statement for Miss Chang October 2009				
		Paid in	Paid out	Balance
1 st Oct	Balance			\$560
7 th Oct	Cheque	\$300		\$860
9 th Oct	DD		\$180	\$680
12 th Oct	Cheque			\$70 O/D
15 th Oct	Cheque	\$130		\$60
27 th Oct	Cash	\$250		\$310

What is the correct entry for 12th October?

- A** \$610 paid in
- B** \$610 paid out
- C** \$750 paid in
- D** \$750 paid out

32 Why are ATMs used by many bank customers?

- A** A cash card is not needed to make a withdrawal.
- B** Cheques can be cashed at any time.
- C** Overdrafts can be arranged with the bank manager.
- D** Withdrawals can be made at any time.

33 Why has Internet banking increased rapidly during the last three years?

- A** Customers can make use of bank services at home.
- B** Customers require personal service.
- C** Internet banking companies provide free gifts.
- D** The Internet is secure from fraud.

- 34** Mrs Matumbe wishes to set up a small shop selling clothing.

The most important factor she should consider when choosing where to open her shop is nearness to

- A** customers.
- B** suppliers.
- C** transport.
- D** workers.

- 35** A company's share capital consists of 100 000 ordinary shares at \$2 per share.

What is the voting power of a shareholder who owns \$2000 worth of these shares?

- A** 1 vote
- B** 1000 votes
- C** 2000 votes
- D** 4000 votes

- 36** Mr Patel, his brother and his cousin, wish to set up a new business venture offering accountancy services.

Which type of business organisation should they form?

- A** partnership
- B** public corporation
- C** public limited company
- D** sole trader

- 37** Which definition describes a multinational company?

- A** It is formed by two or more organisations, now trading as one company.
- B** It operates in many countries, with its headquarters in one country.
- C** It is owned and run by a government to provide a service nationally.
- D** It is owned by many shareholders who live and work in other countries.

- 38** What is a characteristic of a bank overdraft?

- A** A formal agreement is required.
- B** No interest is charged.
- C** The borrower must provide collateral security.
- D** The interest rate on the amount borrowed is variable.

39 The table below shows figures taken from a trader's books for the year 2008.

gross profit	\$20 000
net profit	\$12 000
cost of goods sold	\$80 000
cost of average stock	\$10 000

What were the total expenses?

- A** \$8000 **B** \$10 000 **C** \$12 000 **D** \$20 000

40 Which business is likely to have the highest rate of turnover?

- A** a bookseller
B a jeweller's shop
C a motor car dealer
D a vegetable stall

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