

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/01**

Paper 1 Multiple Choice

May/June 2006

**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 **10** printed pages and **2** blank pages.



- 1 What are basic human needs?
- A communication and transport
  - B entertainment and employment
  - C insurance and finance
  - D shelter and food
- 2 The table shows the percentage of workers employed in different types of occupation in the years 1995 and 2005.

|                     | 1995<br>% | 2005<br>% |
|---------------------|-----------|-----------|
| agriculture         | 5         | 3         |
| commercial services | 40        | 52        |
| construction        | 8         | 10        |
| direct services     | 20        | 20        |
| manufacturing       | 27        | 15        |
|                     | 100       | 100       |

What is the increase or decrease in the percentage of workers employed in secondary industries between 1995 and 2005?

- A -12%
  - B -10%
  - C -2%
  - D +12%
- 3 Which statement is true of specialisation?
- A It decreases output.
  - B It is particularly suited to small businesses.
  - C It makes minimum use of tools and machinery.
  - D It results in the standardisation of products.
- 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 What is an example of after-sales service?
- A breaking bulk
  - B credit to customers
  - C installation of goods
  - D pre-packaging
- 6 What is an advantage to the retailer of selling using the Internet?
- A large profit margin
  - B less competition
  - C no need to design an advertisement
  - D wide potential market
- 7 What is the chain of distribution for manufactured goods?
- A consumer → retailer → wholesaler → manufacturer
  - B manufacturer → retailer → wholesaler → consumer
  - C manufacturer → wholesaler → consumer → retailer
  - D manufacturer → wholesaler → retailer → consumer
- 8 The decline of the independent wholesaler has been caused largely by the growth of
- A automatic vending machines.
  - B cash and carry warehouses.
  - C large scale retailers.
  - D voluntary chains.
- 9 Which service is provided by wholesalers to retailers?
- A clearing production lines
  - B giving information about consumers
  - C providing a wide variety of goods
  - D supplying raw materials

10 Which statement applies to a credit note?


- A It allows the seller to request payment from the buyer.
- B It corrects an undercharge.
- C It lists all purchases and payments made during the month.
- D It shows a reduction in the amount owing to the seller.

11 Mr Mututu, a retailer, buys 100 dresses at \$80 each and sells all of them for \$100 each.

What is his percentage mark-up?

- A 20%                      B 25%                      C 80%                      D 120%

12 The diagram shows a bank giro credit slip.

|   |                               |   |   |  |  |  |  |  |  |  |  |  |
|---|-------------------------------|---|---|--|--|--|--|--|--|--|--|--|
| Date _____<br>Cashier's stamp   | Date _____<br>Cashier's stamp | <b>Bank giro credit</b> <br>Paid in by _____<br><b>Orion Bank PLC</b><br><br>Sort Code: <b>20-42-17</b><br>A/C Number: <b>1234567890</b><br>Transaction Code: <b>86329</b> | Notes \$50 <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>\$20 <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>\$10 <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>\$5 <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>\$1 <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>Coins <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>Total cash <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>Cheques, etc <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table><br>\$ <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table> |  |  |  |  |  |  |  |  |  |
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| <b>1234567890</b><br>\$ <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table> |                               | Fee <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table> Cheques <table border="1" style="display: inline-table; width: 50px; height: 20px;"><tr><td> </td></tr></table>                                 |   |  |  |  |  |  |  |  |  |  |
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|   |                               |   |   |  |  |  |  |  |  |  |  |  |

For what purpose is the bank giro credit slip used?

- A to credit an overseas bank account
- B to pay a creditor who does not have a bank account
- C to pay money into a bank account
- D to withdraw money from a current account

13 Which statement applies to a direct debit but **not** to a standing order?

- A Cash is paid directly to the creditor.
- B It is used for payment of small amounts of money.
- C The amount is transferred from one account to another.
- D The creditor, and not the debtor, asks for payment.

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

- A Customers are not concerned about the security of their accounts.
- B Customers can make use of bank services at home.
- C Internet banking companies always provide free gifts.
- D The use of ATMs is decreasing.

15 Two groups of people are linked by telephone.

What is this meeting called?

- A teleconference
- B teletext
- C videoconference
- D voicemail

16 Mrs Virji employs ten staff in her business and she wishes to discuss with them a new bonus payment scheme.

What method of communication is she most likely to use?

- A e-mail
- B staff meeting
- C staff notice-board
- D telephone

17 Which postal service would give compensation for a gold necklace lost in the post?

- A business reply service
- B letter post
- C parcel post
- D registered post

18

**Smoking may be harmful to your health**

Which type of advertising does this statement represent?

- A comparative
- B competitive
- C informative
- D persuasive

- 19** Which advertising medium is most appropriate for a small manufacturer, on a limited budget, who wants to sell her products locally?
- A** magazine
  - B** posters
  - C** radio
  - D** television
- 20** How does point-of-sale advertising help a trader to increase sales?
- A** It attracts customers to the shop.
  - B** It encourages impulse buying.
  - C** It reduces competition.
  - D** It results in reduced prices.
- 21** Why might a trader prefer to use rail rather than road for transporting goods in bulk?
- A** Rail transport involves less handling of goods.
  - B** Rail transport is cheaper over long distances.
  - C** Rail transport is faster over short distances.
  - D** Rail transport is more flexible.
- 22** What name is given to a ship where vehicles may be driven on and driven off?
- A** cargo liner
  - B** container ship
  - C** ro-ro ferry
  - D** tanker
- 23** The transport of goods has recently been made easier by
- A** express road routes in many countries.
  - B** increased checks by customs officials.
  - C** more detailed inspections of railway networks.
  - D** the reduction of facilities at many airports.

- 24 Which document enables the importer to claim possession of goods on their arrival?
- A air waybill
  - B bill of lading
  - C documentary credit
  - D insurance policy
- 25 What is a function of warehousing?
- A to allow credit to be given for purchases
  - B to allow standardisation of goods to take place
  - C to enable production to take place ahead of demand
  - D to ensure market outlets for producers
- 26 Why are selling costs lower in a cash and carry warehouse than in a traditional warehouse?
- A Delivery is provided.
  - B No credit is offered.
  - C Only food and household goods are sold.
  - D Small quantities of goods are stored.
- 27 Mr Gabriel owns a food processing company.
- Why should he insure his factory?
- A to give him more business confidence
  - B to increase the value of his factory
  - C to obtain a loan for expansion of his business
  - D to prevent the factory catching fire
- 28 Mrs Fong insures her house, worth \$500 000, for \$300 000 against fire. A week after taking out the policy, property worth \$300 000 was totally destroyed by fire.
- Which amount should Mrs Fong receive in compensation?
- A \$180 000      B \$200 000      C \$300 000      D \$500 000

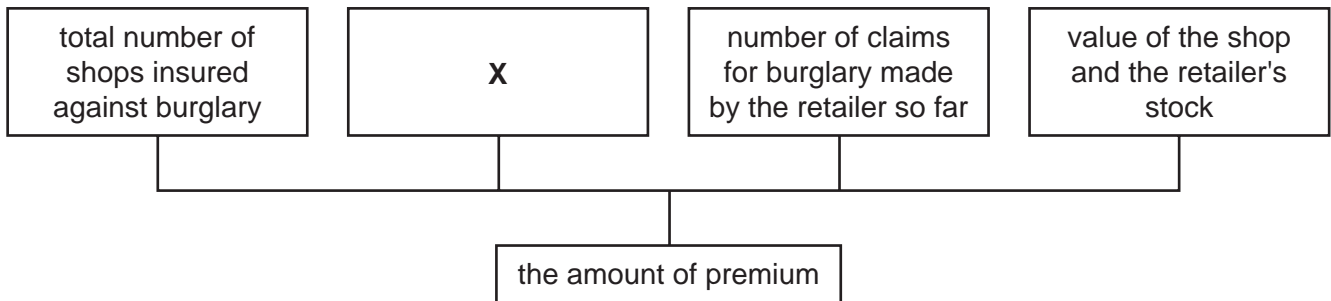
29

'We will indemnify you against loss of, or damage to, your car. This includes its accessories and spare parts whilst the car is in your locked garage.'

In which document is this statement likely to be written?

- A claim form
- B cover note
- C policy
- D proposal form

30 The diagram shows some of the factors an insurance company will take into account when deciding the amount of premium to charge a retailer to cover her shop against burglary.



What does **X** represent?

- A a statement explaining the retailer's insurable interest in the shop
  - B statistics showing the number of shops burgled in the past
  - C the retailer's profit and loss account
  - D the utmost good faith of the retailer
- 31 How can a country increase its exports?
- A enforce quotas
  - B introduce embargoes
  - C increase import duties
  - D remove export duties



32 The table shows the foreign trade figures of country **X** for one year.

|  | \$ million |
|--|------------|
| goods bought from other countries  | 500        |
| goods sold to other countries  | 420        |
| payment for use of foreign transport                                       | 60         |
| money received from foreigners who use country <b>X</b> 's transport       | 95         |
| money spent by citizens of country <b>X</b> on holidays in other countries | 60         |

What is the value of country **X**'s total imports?

- A** \$60 million    **B** \$500 million    **C** \$560 million    **D** \$620 million

33 Why might a manufacturer prefer to sell goods in the home country rather than abroad?

- A** Insuring against the risks of exporting is impossible.  
**B** Payment is guaranteed.  
**C** Setting up an overseas office requires very little expense.  
**D** Transport costs are lower.

34 What factors are likely to be important when a supermarket chain is deciding on the location of a large retail branch?

|          | nearness to population centre | access to good road network | nearness to suppliers | space nearby to build a car park |                 |
|----------|-------------------------------|-----------------------------|-----------------------|----------------------------------|-----------------|
| <b>A</b> | x                             | ✓                           | ✓                     | ✓                                | key             |
| <b>B</b> | ✓                             | x                           | ✓                     | ✓                                | ✓ important     |
| <b>C</b> | ✓                             | ✓                           | x                     | ✓                                | x not important |
| <b>D</b> | ✓                             | ✓                           | ✓                     | x                                |                 |

35 Which person is most likely to be employed in the public sector of a country?

- A** a nurse  
**B** a retailer  
**C** a storekeeper  
**D** a taxi driver

- 36 Amex Corporation is a large manufacturing company with two modern factories. Both its cash flow and demand for its goods are very low, so immediate finance is needed.

Which source of finance would be the **most** suitable for the Amex Corporation?

- A hire purchase
- B sale and leaseback
- C shares
- D trade credit

- 37 A trader has the following results:

|               |           |
|---------------|-----------|
| Sales         | \$800 000 |
| Cost of sales | \$650 000 |
| Expenses      | \$90 000  |

What is the net profit?

- A \$60 000
  - B \$150 000
  - C \$540 000
  - D \$710 000
- 38 What is meant by credit?
- A buying now, paying later
  - B buying now, paying less
  - C paying later, paying less
  - D paying now, having later
- 39 What is the purpose of consumer protection?
- A assisting customers in the choice of goods
  - B giving information on prices
  - C preventing the exploitation of customers
  - D protecting the interests of the seller
- 40 A government wants all farmers to be instructed about the use of a dangerous weedkiller.
- What will the manufacturers be required to do by law?
- A attach a warning label to the container
  - B demonstrate the use of the weedkiller to the farmers
  - C persuade farmers to use an alternative product
  - D place an advertisement in the national media



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