



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1 Multiple Choice

May/June 2009

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.

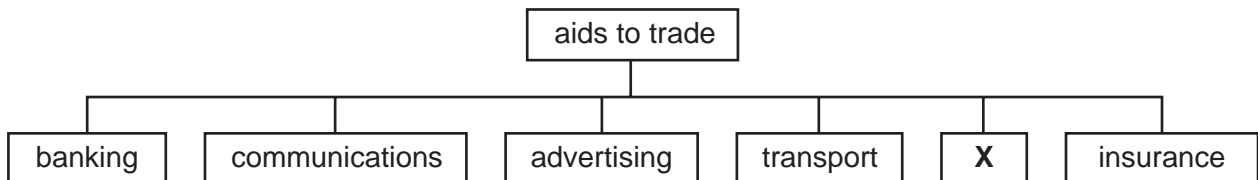
This document consists of **11** printed pages and **1** blank page.



1 Production may be divided into

- A extractive industries and manufacturing industries.
- B manufacturing industries and commerce.
- C industry, commerce and direct services.
- D manufacturing industries and construction industries.

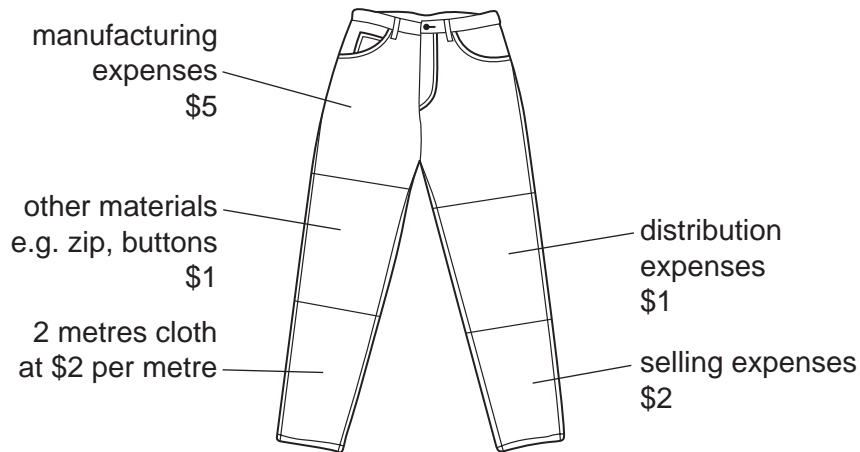
2 The diagram shows the aids to trade.



What does **X** represent?

- A direct services
 - B manufacturing
 - C retailing
 - D warehousing
- 3 Why would division of labour be a disadvantage to a factory owner?
- A each section of a factory is dependant on other sections
 - B new techniques can be developed
 - C workers become more skilful and finish tasks quickly
 - D workers can be employed on jobs to which they are most suited

- 4 The diagram shows the costs involved in making and selling a pair of jeans.



How much value is added to the two metres of cloth in **making** the pair of jeans?

- A** \$6 **B** \$8 **C** \$9 **D** \$13

- 5 The Ahmad family all have jobs. Mr Ahmad is a shopkeeper while Mrs Ahmad works as a bank teller. Their son works in a factory making clothing, and their daughter has a job that would be described as being part of direct services.

What is the daughter's job?

- A** administrator at a warehouse
B booking clerk at the railway station
C loom operator at the clothing factory
D nurse in the local hospital

- 6 Which is the final link in a chain of distribution?

- A** broker
B customer
C retailer
D wholesaler

- 7 What is a feature of a department store?

- A** a limited range of goods is sold
B luxurious shopping facilities are offered
C many shops are under one roof
D purchases must be made by cash

8 Why do consumers use the Internet to buy goods?

- A able to try goods before buying
- B all companies sell on the Internet
- C no need to leave home
- D prefer to buy goods from abroad

9 Complete the following statement.

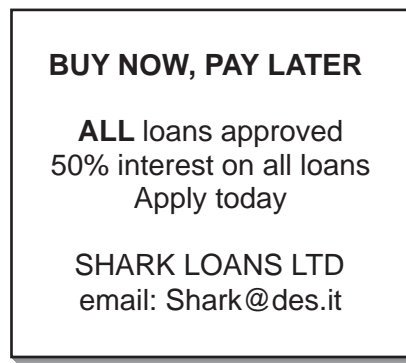
'The availability of credit for individuals living in the global economy allows them to ...'

- A have a higher standard of living.
- B have a stress-free life, financially.
- C pay back the debt with low interest rates.
- D have personal contact with the seller.

10 What is the main purpose of consumer protection?

- A assisting customers in the choice of goods
- B giving information on prices
- C protecting the interests of sellers
- D reducing the exploitation of customers

11 The diagram shows a newspaper advertisement.



If a person wishes to complain about this advertisement, which organisation should be contacted?

- A a consumer's association
- B Shark Loans Ltd
- C the government
- D the local police

12 Which commodity is **least** likely to be handled by a wholesaler?

- A books
- B bread
- C coffee
- D cotton

13 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

14 In which order would the commercial documents concerning the purchase of goods be used?

| | first | —————→ | | | last |
|----------|-----------|-----------|-----------|-----------|------|
| A | order | invoice | quotation | statement | |
| B | order | quotation | invoice | statement | |
| C | quotation | order | invoice | statement | |
| D | quotation | order | statement | invoice | |

15 What do traders use to encourage prompt payment for goods purchased?

- A cash discounts
- B cheque payments
- C short-term credit
- D trade discounts

16 The cost price of a television is \$150. The mark up is 20% of the cost price.

What is the selling price?

- A** \$30 **B** \$120 **C** \$170 **D** \$180

17 What does an unfavourable Balance of Trade mean?

- A A country has imported more goods than it has exported.
- B A country has imported more services than it has exported.
- C A country has exported without importing.
- D A country's total imports exceed its total exports.

18 What is the work of customs authorities?

- A collecting port charges on imported goods
- B compiling records of imports and exports
- C preparing goods in bonded warehouses
- D storing goods meant for the entrepôt trade

19 What is the most likely effect of a country's membership of a trading bloc?

- A collection of more customs duties
- B imposition of quotas on member countries
- C increased prices of goods
- D increased trade with member countries

20 Which is an example of an informative advertisement?

A

'Choccy chocolates are the richest and tastiest.'

B

'Free kettle with every dishwasher while stocks last.'

C

'Save lives.
Give blood today at your local hospital.'

D

'Washy washing powder removes every kind of stain.'

21 What medium is a publisher likely to use to advertise a new textbook?

- A cinema
- B direct mail
- C neon signs
- D posters

- 22** Why are communications important in the global economy?
- A** for speed of transmission
 - B** for using satellite links
 - C** to keep efficient records
 - D** to send email attachments
- 23** What is an advantage of telephone communication to business?
- A** copies of documents may be transmitted
 - B** messages can be corrected before transmission
 - C** other businesses may be contacted quickly
 - D** private calls may be made by employees
- 24** Which postal service gives proof of posting and proof of delivery?
- A** air mail
 - B** business reply service
 - C** parcel post
 - D** registered post
- 25** What is the main reason for the increase in the use of road transport?
- A** Express road routes are available in many countries.
 - B** It can take loads of any shape or size.
 - C** It offers fixed timetables.
 - D** Transshipment is required for delivery.
- 26** What is a function of a port authority?
- A** collecting customs duties
 - B** controlling movement of prohibited goods
 - C** hiring out ships
 - D** providing re-fuelling facilities

27 Why is warehousing important?

- A** It allows changes in price when fashions change.
- B** It enables standardisation of goods to take place.
- C** It ensures goods are available when required.
- D** It provides after-sales service to customers.

28 A feature of a bonded warehouse is that it

- A** allows goods to be manufactured.
- B** enables goods to be sold and removed in small quantities.
- C** is controlled by airport authorities.
- D** stores non-dutiable goods.

29 Which is a non-insurable risk for a clothes shop?

- A** accidents to staff
- B** bad debts
- C** breakage of windows
- D** changes in fashion

30 Tariq's new sports car is worth \$30 000 but he has insured it for \$24 000. Yesterday the car was involved in an accident and will cost \$15 000 to repair.

If Tariq claims on his policy, what is the maximum amount that the insurance company is likely to pay out?

- A** \$9000 **B** \$12 000 **C** \$15 000 **D** \$18 750

31 What is the main function of an insurance broker?

- A** to calculate risks and premiums for insurance companies
- B** to find clients for insurance companies
- C** to possess and sell goods to clients
- D** to prepare insurance contracts

32 A fire has destroyed the insured house owned by Mr Maboto.

What is the first thing he should do when making an insurance claim?

- A** complete a proposal form
- B** contact his insurance company
- C** hire an assessor
- D** refer to his cover note

33 A current account at a commercial bank

- A** cannot be overdrawn.
- B** is for daily transactions.
- C** is used for savings.
- D** requires a passbook.

34 The London Sugar Company Ltd has ordered a consignment of sugar from Mauritius Sugar Traders Ltd and has arranged a documentary letter of credit with the Premier Bank of London.

The documentary letter of credit ensures that Mauritius Sugar Traders Ltd

- A** is able to pay the London Sugar Company Ltd for the sugar.
- B** is guaranteed payment for the sugar by the Premier Bank of London.
- C** can draw on an overdraft on its account with the Premier Bank of London.
- D** receives customs clearance for the export of sugar.

35 Which banking service requires the creditor to ask for payment?

- A** banker's order
- B** cheque
- C** credit transfer
- D** direct debit

36 Which is the **most** attractive set of reasons for a company locating its business in another country?

| A | B |
|---|---|
| <ul style="list-style-type: none"> • stable government • large pool of skilled workers • modern transport system | <ul style="list-style-type: none"> • hot climate • good communications system • low taxes |
| C | D |
| <ul style="list-style-type: none"> • people speaking same language • high wages • country with no trade barriers | <ul style="list-style-type: none"> • high taxes • opportunity to maximise profit • good health care services |

37 What is a characteristic of a public limited company?

- A The amount of capital employed is limited.
- B The liability of the shareholders is limited.
- C The number of shareholders is limited.
- D The number of shares held by an individual shareholder is limited.

38 Which of these statements best describes why multinationals exist?

- A to discover new products
- B to encourage local industry
- C to find new markets
- D to increase employment

39 Mr Patel wishes to open a loan account for a new business venture. The total finance he requires is \$200 000.

What form of collateral might the bank need?

- A copies of his signature
- B deeds of his house
- C sight of his current passport
- D \$10 000 deposit

40 The table shows an extract from the accounts of a sole trader.

| | \$ |
|-----------|------|
| stock | 8000 |
| creditors | 4000 |
| overdraft | 7000 |
| debtors | 5000 |
| cash | 1000 |

What is the sole trader's working capital?

A \$1000

B \$2000

C \$3000

D \$5000

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