

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1 Multiple Choice

October/November 2005

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 Commerce is necessary because of
 - A specialisation.
 - B the interdependence of man.
 - C the introduction of money.
 - D the need to exchange surpluses.

- 2 Which occupation would be classified as a direct service?
 - A bank cashier
 - B fisherman
 - C hairdresser
 - D toolmaker

- 3 As the wealth of a family increases, on which of the following is the family likely to spend a smaller percentage of its income?
 - A clothing
 - B food
 - C holidays
 - D housing

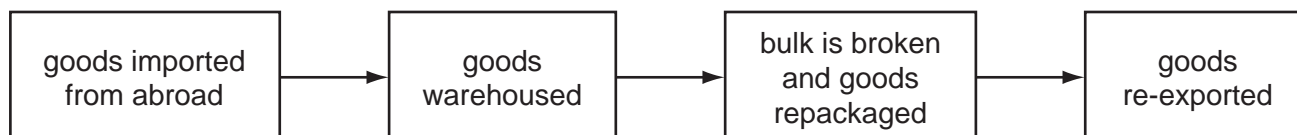
- 4 Which expense would be cheaper for a mail-order firm compared with a department store?
 - A advertising
 - B catalogue printing
 - C postage on goods
 - D rent

- 5 Which factor helps small retailers to survive competition from large retailers?
 - A Small retailers can afford expensive advertising.
 - B Small retailers have easy access to credit finance.
 - C Small retailers offer a wide variety of goods.
 - D Small retailers provide a personal service.

6 In which trade is the wholesaler **most** likely to be eliminated?

- A bread
- B clothes
- C furniture
- D newspapers

7 The diagram shows the work of an import/export merchant.



What type of trade is shown?

- A barter
 - B entrepôt trade
 - C free trade
 - D home trade
- 8 Mr X purchased watches at \$5000 from Mr Y and received an invoice for the amount due. Later, Mr Y sent Mr X a credit note for \$1000.
- How much does Mr X now owe Mr Y?
- A \$1000 B \$4000 C \$5000 D \$6000
- 9 Which term is given to the difference between a trader's buying price and selling price?
- A commission
 - B gross profit
 - C mark-up
 - D rate of turnover
- 10 A night safe is used for the safe-keeping of
- A cheque books when they are not in use.
 - B jewellery and important documents.
 - C money collected after banking hours.
 - D money deposited during the day.

11 The Bank Statement below is being prepared for a customer.

| Bank Statement | | | |
|--------------------------------|-------|--------|---------|
| | DEBIT | CREDIT | BALANCE |
| | \$ | \$ | \$ |
| May 1 Balance, brought forward | | | 75.00 |
| May 4 Cheque No. 275165 | 68.00 | | 7.00 |
| May 6 Standing Order | | | |

Assuming the amount of the Standing Order is \$100, which of the following statements is correct?

- A** \$100 would be entered in the Credit column and the balance would become \$107 overdrawn.
- B** \$100 would be entered in the Debit column and the balance would become \$107 in the customer's favour.
- C** \$100 would be entered in the Debit column and the balance would become \$93 in the customer's favour.
- D** \$100 would be entered in the Debit column and the balance would become \$93 overdrawn.
- 12 What is a feature of a crossed cheque?
- A** It cannot be cashed over the counter.
- B** It cannot be dishonoured by the bank.
- C** It cannot be endorsed to someone else.
- D** It cannot be stolen easily.
- 13 How does a bank customer benefit from using an ATM (automated teller machine)?
- A** financial advice
- B** overdraft facilities
- C** personal service
- D** withdrawal on demand
- 14 Which service would an international firm make most use of when communicating between branches in different countries?
- A** e-mail
- B** letter
- C** paging
- D** registered mail

- 15 Why might a company use the fax service in preference to the telephone service when sending a message from Mumbai to London?
- A Copies of documents may be transmitted.
 - B Fax does not require specialised equipment.
 - C Fax is faster than telephone.
 - D Problems can be discussed.

- 16 A large retailer sells goods on credit and sends statements of accounts to its local customers monthly.

Which postal service would the retailer use to send the statements of account?

- A airmail
 - B express post
 - C franked letter post
 - D recorded delivery
- 17 A company representative travelling in an overseas country wishes to keep in contact with his head office.

Which method would be most useful to this representative?

- A business reply service
 - B cell phone
 - C private box
 - D teleconferencing
- 18 What is the main aim of most advertising?
- A to create employment
 - B to persuade customers to buy
 - C to provide consumer choice
 - D to reduce costs

19 Which advertisement is an example of collective advertising?

A

EXPERIENCE OUR COMMITMENT TO
EXCELLENCE AT XY AIRLINES

B

GET QUALITY FOOD FROM
PURITY FOODS LTD

C

THERE IS NO SUBSTITUTE FOR COFFEE

D

THE TRAIN FROM LAHORE TO KARACHI
HAS BEEN DELAYED

20 A manufacturer wishes to promote a new electronic cash till.

Which advertising medium would be the **most** cost-effective?

A local commercial radio

B national commercial television

C popular daily newspapers

D trade journals

21 What is a 'loss leader'?

A a commodity sold at below cost price to attract customers

B a leading brand with a low profit margin

C a product entered in the stock records but missing from stock

D a slow selling item sold at below cost price to sell it quickly

22 What advantage does sea transport have over air transport?

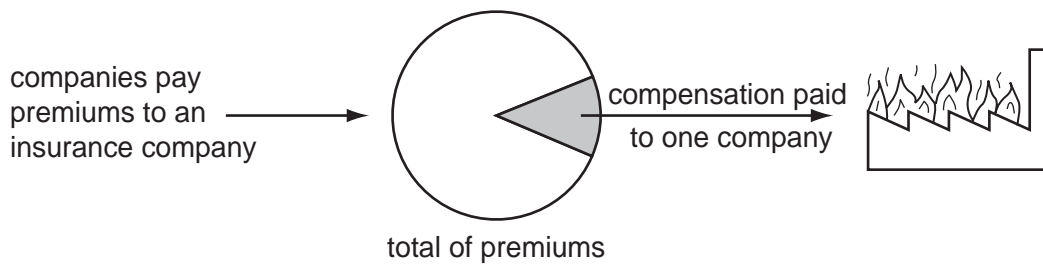
A bulk loads

B faster delivery

C faster turnaround of goods

D less risk of damaged goods

- 23 Which service is provided by a port authority?
- A collecting revenue for the government
 - B inspecting immigration documents
 - C maintaining the docks
 - D supervising bonded warehouses
- 24 What happens for each additional day that goods are kept in a warehouse?
- A Interest is lost on the capital invested in the goods.
 - B More interest is gained on the capital invested in the goods.
 - C More transport is needed for moving the goods.
 - D The warehousing bill for the goods is reduced.
- 25 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.
- 26 What aspect of insurance does the diagram show?



- A arranging a policy
- B assessing a risk
- C insurable interest
- D pooling of risks

27 Against which risk can a shopkeeper **not** insure?

- A A claim for compensation from a customer who had an accident in the shop.
- B A reduction of profits caused by a fall in sales.
- C Damage to freezer stock caused by an electricity failure.
- D The theft of money by the shop manager.

28 Mrs Moyo's household contents (valued at \$20 000) were insured against fire for this amount. Later they were damaged by fire and the loss was estimated at \$25 000.

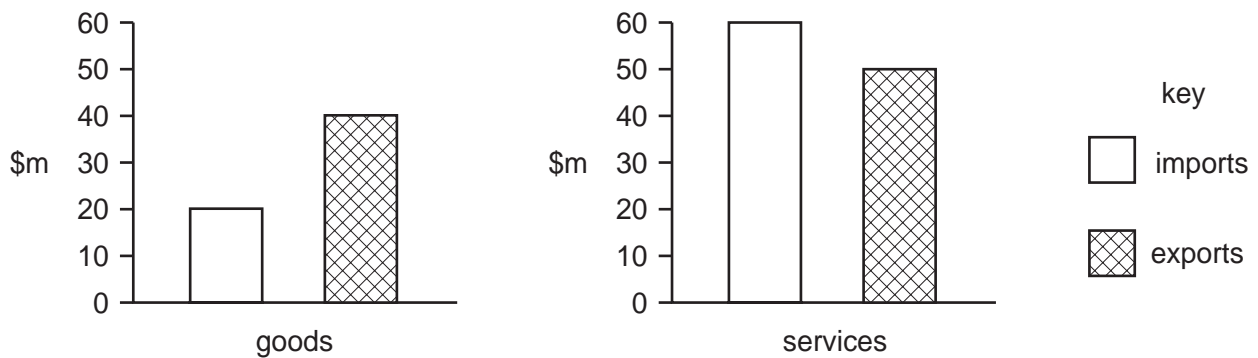
How much compensation should Mrs Moyo receive?

- A \$5000 B \$20 000 C \$25 000 D \$45 000

29 Why does a country import products from other countries?

- A to improve the balance of trade
- B to obtain customs revenue
- C to protect home industries
- D to supplement home production

30 The graph shows Country Y's imports and exports.



What is Country Y's balance of payments on its current account?

- A -\$10m B +\$10m C +\$20m D +\$110m

31 Why do customs authorities collect statistics on foreign trade?

- A to calculate the balance of trade
- B to calculate the exchange rate
- C to compare home trade with foreign trade
- D to enable duties to be collected

- 32 What is a 'trading bloc'?
- A a group of countries that have removed trade restrictions between themselves
 - B a group of trading nations that are geographically close
 - C a number of countries that have differing trading policies
 - D a number of countries that import and export similar goods
- 33 What is a feature of a public corporation?
- A It aims to sell its products for profit.
 - B It has a minimum of two shareholders.
 - C It is owned by the State.
 - D It raises capital by selling shares and debentures.
- 34 Which type of business organisation is the **most** suitable for a large electronics manufacturer?
- A partnership
 - B private limited company
 - C public limited company
 - D sole trader
- 35 What can ordinary shareholders do if a public limited company is not performing well?
- A invite more partners into the company
 - B remove the company from the Stock Exchange listing
 - C request tax relief from the Government
 - D vote for a new board of directors
- 36 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

37 What is the **most** suitable source of finance for purchasing office stationery?

- A bank loan
- B factoring
- C overdraft
- D trade credit

38 The table shows the balances in the books of a sole trader.

| | \$ |
|-----------|-------|
| capital | 2 700 |
| creditors | 400 |
| furniture | 500 |
| stock | 2 000 |
| cash | 500 |

What is the sole trader's working capital?

- A \$2100 B \$2400 C \$2600 D \$2700

39 What is a characteristic of extended credit (deferred payments)?

- A Goods are repossessed if the buyer defaults on payments.
- B It is used mainly for goods with a second-hand value.
- C The buyer becomes the owner on payment of a deposit.
- D The buyer cannot resell the goods before the last instalment is paid.

40 What is the role of a consumer council?

- A to advertise goods
- B to control prices of goods
- C to prosecute unlawful traders
- D to report on unfair business practices

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