

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/01**

Paper 1 Multiple Choice

May/June 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.

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UNIVERSITY of CAMBRIDGE  
International Examinations

**[Turn over**

1 At which stage is production completed?

- A when goods are manufactured
- B when goods are used by the consumer
- C when goods reach the consumer
- D when goods reach the retailer

2 The figures relate to a country's economy in a particular year.

	output \$m
communication and advertising	2 000
construction	5 000
farming, forestry and fishing	7 000
insurance, banking and finance	12 000
manufacturing	70 000
mining and drilling	5 000
transport	8 000
warehousing and storage	2 000

What is the total value of tertiary/commercial services?

- A \$20 000      B \$24 000      C \$29 000      D \$94 000

3 What is an advantage of specialisation?

- A greater and fuller use of equipment
- B increased costs of production
- C workers becoming self-sufficient
- D workers finding their jobs more interesting

4 Which function is **not** performed by a retailer?

- A displaying goods
- B grading goods
- C manufacturing goods
- D providing a local supply of goods

- 5 Which statement is true of a vending machine?
- A It is found everywhere.
  - B It offers a wide choice.
  - C It offers personal service.
  - D It operates twenty-four hours a day.
- 6 When is a wholesaler **most** likely to be used?
- A when a retailer operates on a small scale
  - B when goods are large and expensive
  - C when goods are perishable or fragile
  - D when large orders are made by retailers
- 7 To prevent a decline in their trade, traditional wholesalers have set up
- A bonded warehouses.
  - B cash and carry warehouses.
  - C hypermarkets.
  - D multiple chains.
- 8 What is the function of a broker in international trade?
- A bringing buyers and sellers together
  - B buying and selling shares for his clients
  - C guaranteeing payment for goods
  - D warehousing the principal's goods awaiting sale
- 9 What information would be found in a quotation?
- A a summary of a number of transactions
  - B details of goods returned by a customer
  - C instructions to a carrier relating to the delivery of goods
  - D prices and conditions under which certain goods will be sold

10 An extract from an invoice received by a retailer is shown below.

20 cases	canned pineapple @ \$10 per case	\$200
	less 20% trade discount	\$40
		—————
		\$160

If two damaged cases of pineapple are returned, how much does the retailer owe the supplier?

- A** \$144                      **B** \$160                      **C** \$180                      **D** \$200

11 A retailer buys an article at a cost of \$50 and sells the article at \$60.

What is the retailer's mark up?

- A** 8%                      **B** 10%                      **C** 15%                      **D** 20%

12 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.

13 A customer has an agreed overdraft facility of \$200. She has received a bank statement showing the balance of the account to be \$120 overdrawn. The account was later credited \$50. What is the new balance of her account?

- A** \$170 overdrawn  
**B** \$70 overdrawn  
**C** \$170 credit  
**D** \$250 credit

14 Which service can be used to hold a face-to-face meeting between people in different places?

- A** fax  
**B** radio paging  
**C** telephone  
**D** video conferencing

15 A company plans to introduce a new product.

Which method of communication should reach the greatest number of people?

- A creating a website on the internet
- B sending a circular letter to existing customers
- C talking to interested people at a trade exhibition
- D telephoning retailers and wholesalers

16 What is **not** an aim of advertising?

- A creating an awareness of new products
- B increasing prices
- C increasing sales
- D maintaining one's reputation

17 Which medium would be the **most** cost-effective for advertising a local restaurant?

- A magazines
- B posters
- C radio
- D television

18 For what is railway transport **most** suitable?

- A the carriage of goods between towns near each other
- B the delivery of small, light goods over long distances
- C the international carriage of perishable goods
- D the long distance carriage of bulky goods

19 Which product may be transported by container ship?

- A cars
- B coal
- C furniture
- D oil

20 What is an advantage of warehousing?

- 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.

21 Why do supermarkets need warehouses?

- A to avoid paying customs duties
- B to increase profits
- C to prevent shortages arising from a high rate of turnover
- D to reduce high advertising costs

22 Which statement is true of a bonded warehouse?

- A Goods can be manufactured while they are in the bonded warehouse.
- B Imported goods are stored in the bonded warehouse until their duty is paid.
- C Imported goods on which duty has been paid are stored in the bonded warehouse.
- D Seasonal goods are stored in the bonded warehouse until they are demanded.

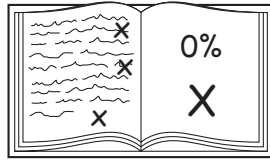
23 Which risk shown is non-insurable?

A



accident

B



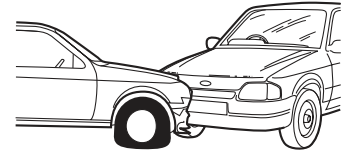
exam failure

C



fire

D



motor

24 Why would Mr and Mrs Lee be **unable** to insure a house owned by a neighbour?

- A A proposal form has not been completed.
- B The house is too expensive.
- C The risk cannot be assessed.
- D They have no insurable interest in the house.

25 An insured van is written off in an accident.

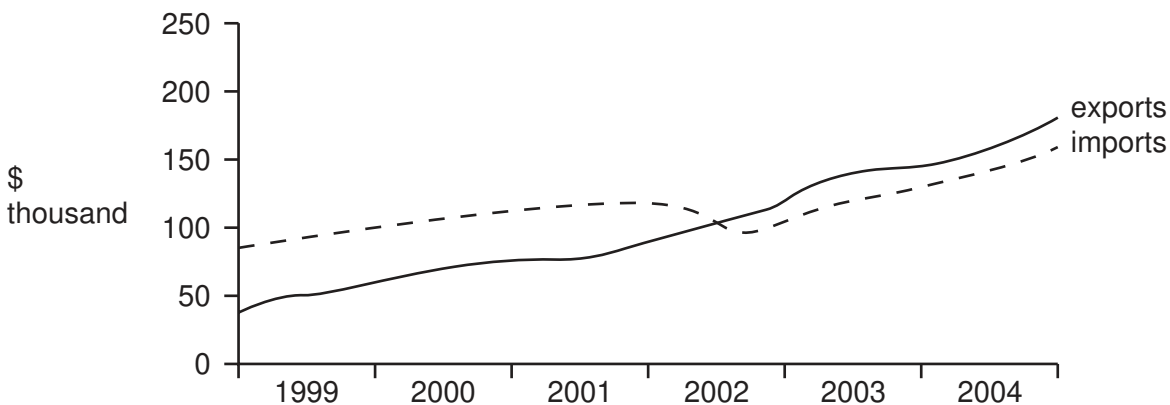
According to the principle of indemnity, the insurer pays compensation and

- A gives the scrap value of the van to the policy-holder.
- B pays profits to the policy-holder.
- C purchases a new van for the policy-holder.
- D takes possession of the damaged van.

26 If a trader wishes to insure his stock, from whom would he seek advice?

- A an actuary
- B an assessor
- C a broker
- D an underwriter

27 The diagram shows the value of exports and imports for a country during the period 1999 to 2004.



During which year did this country's exports and imports balance?

- A 2000
- B 2001
- C 2002
- D 2003

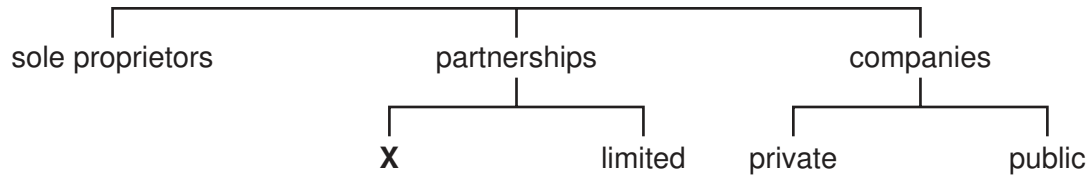
28 What may be classified as an invisible export for Hong Kong?

- A expenditure by Hong Kong tourists in Australia
- B expenditure by South African tourists in Hong Kong
- C purchases of goods from the ASEAN area
- D sales of manufactured goods to France

- 29 What is a function of customs authorities?
- A to collect statistical information on imports and exports
  - B to ensure efficient handling of imports and exports
  - C to maintain airports
  - D to provide storage for dutiable imported foods
- 30 What is a free port?
- A a port allowing goods to be imported without payment of duties
  - B a port allowing goods to be transported without any freight charges
  - C a port that offers free travel for exporters and importers
  - D a port where all loading and unloading of goods is free of charge
- 31 What is **most** likely to be a difficulty faced by an exporter?
- A bringing goods into the country
  - B collection of customs duties
  - C delays in payment
  - D obtaining raw materials
- 32 Which form of business organisation is set up by a government to provide essential services?
- A a multinational corporation
  - B a partnership
  - C a public limited company
  - D a public utility corporation
- 33 What is an advantage of being a sole proprietor?
- A capital obtainable from shareholders
  - B cheap prices and a wide range of goods
  - C flexible purchasing and selling policy
  - D personal liability for debts of the business



34 The diagram shows types of business organisation in the private sector.



What does **X** represent?

- A authorised
  - B ordinary
  - C private
  - D sleeping
- 35 What will a bank **not** take into account when considering an application for a loan?
- A collateral security
  - B other banks' interest rates
  - C the borrower's credit worthiness
  - D the purpose of the loan
- 36 Which type of business is likely to have the highest rate of turnover?
- A a bakery
  - B a jeweller's shop
  - C a motor car dealer
  - D an electrical goods shop
- 37 Informal credit is **most** likely to be offered to customers of
- A department stores.
  - B hypermarkets.
  - C independent retailers.
  - D multiple shops.

**38** A man pays a deposit for a refrigerator that he is buying on hire purchase.

In this sale, who owns the refrigerator?

- A** the buyer after the first two instalments
- B** the buyer immediately
- C** the seller until final payment
- D** the seller until the expiry of the guarantee

**39** The greater variety of goods produced and the dangers of misleading advertising have led to the growth of

- A** advertising agencies.
- B** consumer protection.
- C** informative advertising.
- D** insurance companies.

**40** How does a standards association protect consumers?

- A** It advises consumers to buy wisely.
- B** It controls prices of basic commodities.
- C** It passes laws against unfair trading practices.
- D** It tests products for quality.



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