CAMBRIDGE
International Education

Cambridge O Level

COMMERCE **7100/12**

Paper 1 Multiple Choice **May/June 2026**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

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INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 40.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

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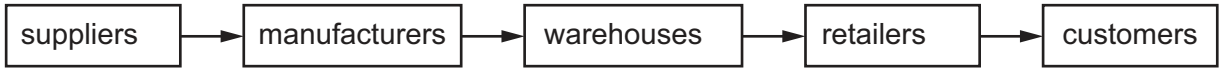
1 The diagram shows the flow of goods from the supplier of raw materials to the customers.



Which term is used to describe this flow of goods?

A production process

B direct services

C supply chain

D transportation

2 Which statement is an example of the interdependence between trade and commerce?

A A Japanese farmer decides to increase the number of cattle reared on her farm.

B A Korean car company increases the hourly rate of pay for its employees.

C A Malawian bus company reduces the number of buses available at the weekend.

D A South African retailer sells fresh flowers flown in on a daily basis from Kenya.

3 What is an example of secondary production?

A assembling computers

B growing flowers

C mining diamonds

D teaching students

4 Why might a restaurant outsource production of its website?

A employees of the restaurant are not busy

B restaurant employees lack technological skills

C restaurant is popular and gets many customers

D restaurant owner likes to be fully in control

5 Which statement defines a global supply chain?

A an integrated worldwide system of transportation and warehousing

B an integrated worldwide system of processes, people, technology and data

C the number of products that a producer is able to distribute worldwide

D the use of worldwide networks to recycle used products

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6 What is a feature of an independent retailer as a middleman between a manufacturer and a consumer?

A gives feedback on market demand to the manufacturers

B sells goods to consumers at cost price

C sells goods in large quantities to consumers

D gives goods returned by the consumers to the manufacturers

7 Why might a clothing retailer use electronic data interchange (EDI)?

A low cost of purchasing hardware and developing system

B no need to back up information sent electronically

C paper record is kept for all electronic transactions

D develops better relationship with suppliers

8 Kosey is an import agent. He agrees to help an importer sell 100 beds. A buyer has agreed to a sales price of $400 for each bed.

The agreed commission is 5%.

How much does Kosey receive?

A $5 **B** $20 **C** $2000 **D** $20 000

9 Which type of commercial enterprise is owned and operated by the central government?

A cooperative

B partnerships

C public corporation

D public limited company

10 Who is allowed to buy shares in a private limited company?

A family and friends

B general public

C ordinary partner

D the government

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11 Sam wants to buy a fast food franchise. The set-up franchise costs are $250 000. The franchisor royalty fee is 6% of yearly sales. The expected yearly sales are $700 000.

How much would Sam be expected to pay in royalty fees?

A $15 000 **B** $27 000 **C** $42 000 **D** $57 000

12 Which commercial activity would be performed by a contract manufacturer for a multinational car company?

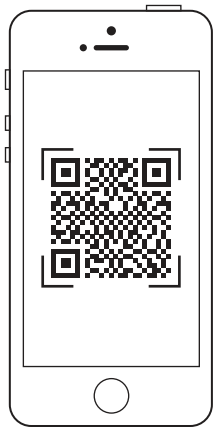
A providing a logistics service to deliver cars

B providing an ecommerce platform for selling cars

C recruiting mechanics for testing new cars

D supplying car engines and other components

13 The diagram shows a retail selling technique.



Which retail selling technique is shown in the diagram?

A barcoding

B EPoS

C QR code

D social media

14 Which service is provided by a wholesaler to a retailer?

A clearing production lines

B purchasing in bulk

C purchasing raw materials

D trade discount

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15 Which document of trade shows the items purchased, the price of each item, the total cost and the terms of sale?

A enquiry

B invoice

C order

D quotation

16 The winner of a television reality show wants to communicate with more people to increase their popularity.

Which method of communication would the winner of this show most likely use?

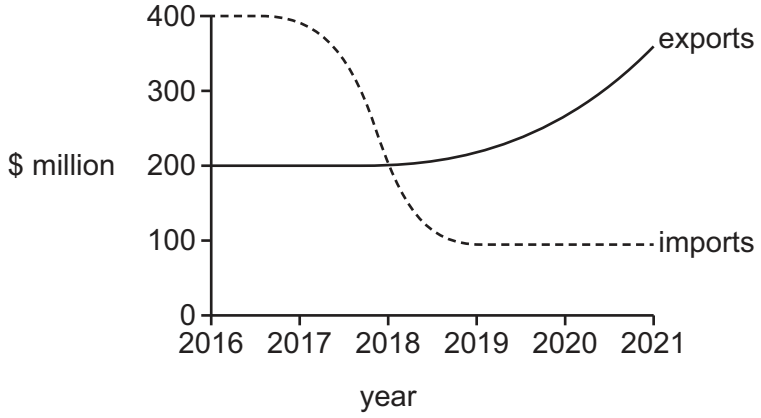
A chatbot

B social media

C telephone

D videoconferencing

17 The graph shows the total value of imports and exports for a country from 2016 to 2021.



During which period did this country have a deficit on its Balance of Payments?

A 2016–2018 **B** 2017–2019 **C** 2018–2020 **D** 2019–2021

18 Which method of international trade restriction increases government revenue?

A embargo

B quota

C commission

D tariff

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19 What is a total ban on trade with another country called?

A customs duty

B embargo

C tariff

D quota

20 What is a feature of a trading bloc?

A customs authorities do not inspect goods

B documentation is done only electronically

C involves free trade of goods and services

D customs duties are paid with single currency

21 Why is communication important in the global market?

A it brings long distance buyers and sellers into contact

B it enables trade documents to be sent accurately

C it increases a firm's international sales

D it reduces language barriers to trade

22 What is an example of a technological risk to a global supply chain?

A cyberattack

B corruption

C unfair wages

D pollution

23 Which type of warehousing automation guides an employee to specific locations in the warehouse?

A self-service checkout

B automated sorting

C robotics

D voice picking

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24 Which statement about a cash and carry warehouse is correct?

A credit is given to buyers

B delivery services are available

C every customer can have access

D retailers use self-service

25 Why do firms use air freight to send goods to other countries?

A Insurance costs are higher.

B It is cost effective for high value goods.

C No transshipment of goods is required.

D Planes cannot carry bulk loads.

26 The diagram shows an advertisement.

Recycle your
old phone

all the young kids
are doing it!

Which method of appeal is the advertiser using?

A adventure

B humour

C romance

D social acceptance

27 In which situation will a person use hire purchase?

A to borrow a car from a friend

B to buy a newspaper in a shop

C to buy an expensive new sofa

D to pay for a taxi journey

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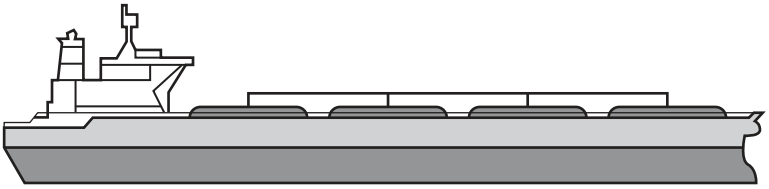
28 The diagram shows a ship.



Which type of sea transport is shown?

A container ship

B cargo liner

C ferry

D tanker

29 Which type of warehouse is supervised by customs authorities?

A bonded

B cash and carry

C cold storage

D wholesale

30 What is a benefit to a customer of using mobile banking?

A faster access to payment services

B fewer bank branches needed

C paper proof of transactions

D reduced staff costs

31 What is a reason for a person to take out a motor insurance policy?

A business confidence

B financial protection

C investment

D pooling

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32 The table shows figures for an insurance company.

number of policyholders	4000
insurance pool	$800 000
premium to be paid	$200

How much would the premium be if this insurance company lost 2000 policyholders to a competitor?

A $20 **B** $200 **C** $400 **D** $4000

33 A wholesaler buys goods from a manufacturer at $10 per item and sells them to retailers at $12 per item.

What is the wholesaler's mark-up?

A 2% **B** 5% **C** 6% **D** 20%

34 The table shows a firm's current assets and current liabilities.

current assets	**amount $**	**current liabilities**	**amount $**
stock	40 000	creditors	20 000
debtors	10 000	overdraft	10 000
cash in hand	10 000		

What is the firm's working capital?

A $20 000 **B** $30 000 **C** $50 000 **D** $90 000

35 How can a large clothing and jewellery store improve its profit?

A buy more luxury clothing and jewellery products

B increase the mark-up on popular clothing and jewellery

C increase the wages of all its sales staff

D spend more on television advertising

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36 Which action should a business take to improve sustainability?

A increase the use of lighting

B increase the use of packaging

C increase the use of recycling

D increase the use of water

37 Joan purchased an expensive gold necklace. Two days later the chain broke. She took these steps:

read guarantee → contacted shop → presented receipt → requested refund

What should she do if the shop does **not** give her a refund?

A contact the manufacturer

B make an insurance claim

C report to the police

D take court action

38 What is the **most** important reason for consumer protection in the global economy?

A buyers lack confidence in sellers

B buyers have a right to be informed

C governments like collecting fines

D governments like enforcing laws

39 What is the meaning of ethics in commerce?

A considering only the business when taking decisions

B doing only what is legally right and required by law

C operating the business by applying high moral standards

D operating in a way to maximise profits for the business

40 What is the purpose of sustainability in the supply chain?

A to co-ordinate sourcing, production, inventory management and logistics

B to increase business profits by sourcing cheaper supplies

C to reduce the environmental and human impact of commercial processes

D to speed up the supply of raw materials into factories

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