



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

Paper 1 Multiple Choice

7100/01

May/June 2008

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 **12** printed pages.

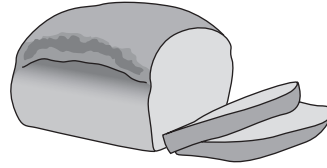


1 Which of the following is a human want?

A



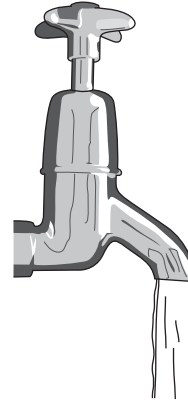
B



C



D



2 Why are commercial services essential to a motorcycle manufacturer?

- A They assist the manufacturer to get the motorcycles to the consumer.
- B They control the quality of the motorcycles produced.
- C They organise workers needed in the motorcycle factory.
- D They produce the raw materials necessary for making motorcycles.

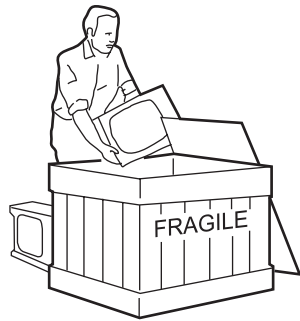
3 Which of the following are aids to trade?

- A banking and insurance
- B importing and exporting
- C manufacturing and construction
- D mining and fishing

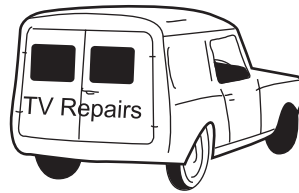
- 4 The diagram shows the services offered to customers by a television retailer.

Which service is provided by the retailer **after** a television has been purchased by a customer?

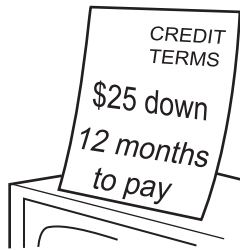
A



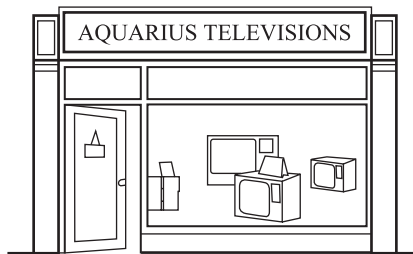
B



C



D



- 5 To attract customers, a large retail organisation purchases articles at \$2.50 each and sells them at \$2.00 each.

What is this called?

- A bar coding
 - B credit
 - C loss-leader
 - D mark up
- 6 In which way is shopping on the Internet different from traditional shopping?
- A accepts credit card payments
 - B offers cheaper prices
 - C operates without sales staff
 - D provides variety of goods

- 7 Which statement explains why retailers offer credit to consumers?
- A** decrease in retailers costs
B decrease in consumer incomes
C increase in consumer debt
D increase in retailers sales
- 8 The diagram represents a credit card statement.

SWORDFISH CREDIT CARD STATEMENT FOR	
MR. A. DHAR FOR APRIL 2008	
ACCOUNT No. 5482 7641 1602 5121	CREDIT LIMIT \$10 000
Interest of 5 % is added to an outstanding balance at end of each month.	
Previous balance outstanding	\$ 3000
Interest of 5 % added	\$ 150
Spending during April	
XL Petrol	\$ 250
Supergloss Ltd	\$ 200
AK Superstore	\$ 400
TOTAL	\$ 4000

Mr Dhar wishes to pay off 20% of his credit card debt.

How much will he pay?

- A** \$170 **B** \$600 **C** \$800 **D** \$2000
- 9 Why does a government wish to pass consumer protection laws?
- A** Consumers want a bargain when buying a product.
B Consumers need safeguarding from unscrupulous traders.
C Retailers are assisted to trade legally.
D Retailers can make profits from consumers.

- 10** Mrs Moyo buys a new toaster from a shop. When she arrives home, she discovers that the toaster is faulty.

According to consumer law, what should she do?

- A** take no action
 - B** claim a replacement toaster
 - C** claim compensation for her wasted time
 - D** report the matter to the police who will recover her money
- 11** Buying in bulk and selling in smaller quantities is an important service which is provided by the
- A** manufacturer for the retailer.
 - B** manufacturer for the wholesaler.
 - C** retailer for the wholesaler.
 - D** wholesaler for the retailer.
- 12** What is the name of an agent who buys and sells goods on a commission basis for another person?
- A** a broker
 - B** a manufacturer
 - C** a retailer
 - D** an underwriter

13 ABC Wholesalers has sent the following credit note to Gold Stores.

ABC Wholesalers 10 Bull Street Rosehill	
CREDIT NOTE	
Gold Stores Porth Street Port Louis	
12 cases canned fish @ \$100 per case	\$ 1200
goods short delivered	

What happens when this credit note is issued?

- A Goods valued at \$1200 will be delivered by ABC Wholesalers to Gold Stores.
- B Goods valued at \$1200 will be delivered by Gold Stores to ABC Wholesalers.
- C The amount due to ABC Wholesalers is increased by \$1200.
- D The amount due to ABC Wholesalers is reduced by \$1200.

14 When does a trader give trade discount?

- A when payment is received in cash
- B when prompt payment is received
- C when selling goods in discount stores
- D when selling to another trader

15 Mrs Manley owns a fashion store. Her wholesaler's trade price for shirts is \$20 each. She receives a 10% discount on her purchases.

She sells the shirts in her store for \$27 each.

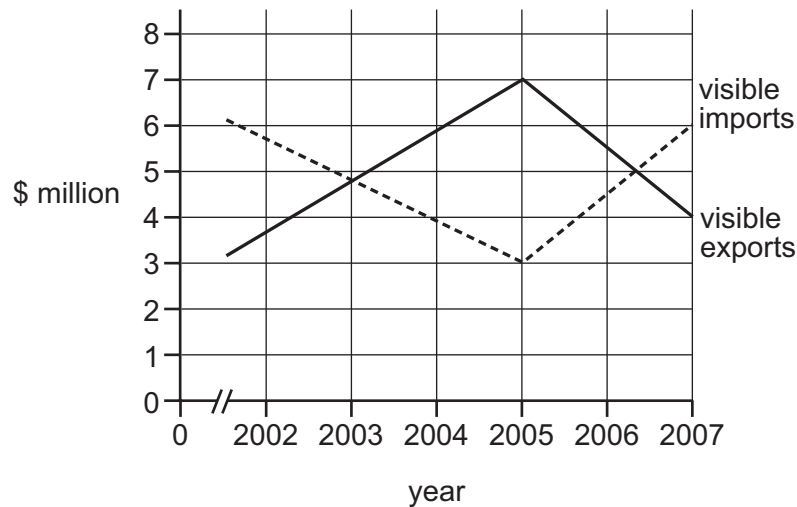
What is her percentage mark-up?

- A 35%
- B 38.8%
- C 45%
- D 50%

16 Why might a company benefit from international trade?

- A It can export goods and services into a large market.
- B It can impose import duties on foreign goods and services.
- C It can increase trade in the home market.
- D It can reduce the wages paid to staff.

- 17 The graph shows the values of visible imports and visible exports for country X during the period 2002 to 2007.



What was the balance of trade in 2007?

- A** -\$1 million **B** -\$2 million **C** +\$2 million **D** +\$4 million
- 18 What is the main advantage of a trading bloc for its member countries?
- A** free trade between member countries
B guaranteed prices to producers
C increased revenue from customs duties
D more trade with non-member countries
- 19 Why might a government impose a quota on imports?
- A** to increase imports
B to prevent smuggling
C to protect local industries
D to raise tax revenue
- 20 Why might advertising lead to lower prices?
- A** Advertising costs are deducted from product prices.
B Advertising costs are lower than production costs.
C Competition with other manufacturers might be reduced.
D Increased sales reduce unit costs of production.

21 A company plans to introduce a new product.

Which method of advertising would reach the greatest number of people?

- A** advertising on television
- B** displaying the goods at a commercial show
- C** giving free samples to customers in supermarkets
- D** sending a leaflet to existing customers

22 What is the main reason for the growth of advertising on the Internet?

- A** Advertisers' websites are very cheap to set up.
- B** Consumers can order goods 24-hours-a-day on the Internet.
- C** Every household now has access to the Internet.
- D** Internet users like watching the advertisements on the Internet.

23 Why is communication important in the global economy?

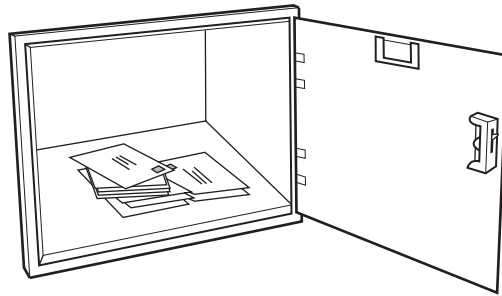
- A** to advertise and promote goods nationwide
- B** to enable companies to contact customers worldwide
- C** to move goods required urgently
- D** to transport people over long distances

24 An exporter in India wishes to contact, urgently, in writing, a new customer in Australia.

What would be the best method of communication to use?

- A** email
- B** fax
- C** mobile phone
- D** teleconferencing

25 The picture shows a service offered at post offices for people to collect their mail.



What is this service called?

- A night safe
 - B poste restante
 - C private box
 - D special delivery
- 26 What would an exporter **not** consider when choosing a suitable form of transport to carry his goods?
- A the cost of transporting the goods
 - B the duty payable in the importer's country
 - C the quantity of goods to be exported
 - D the time within which the products are required
- 27 What is the advantage of using containers in transport?
- A ability to carry any cargo
 - B faster turn-around
 - C fixed timetables
 - D need for special handling equipment
- 28 Which statement applies to an air waybill?
- A acts as a contract
 - B gives title to the goods
 - C is a negotiable instrument
 - D made up of four copies

- 29 What is an advantage of warehousing?
- A It makes goods available when they are wanted.
 - B It provides after-sales service to customers.
 - C It prevents the destruction of goods by fire.
 - D It allows changes in price when there is a change in fashion.
- 30 When are imported goods released from bonded warehouses?
- A when a warehouse receipt is issued
 - B when the goods have been branded
 - C when the owner has paid duty
 - D when the warehouse owner receives rent
- 31 Why do supermarkets need warehouses?
- A to avoid paying customs duties
 - B to increase profits
 - C to prevent shortages arising from high turnover
 - D to reduce high advertising costs
- 32 What does public liability insurance cover?
- A faulty products
 - B injury to customers
 - C injury to employees at work
 - D theft by employees
- 33 Mrs John's property was insured against fire for \$70 000. Later, the property was totally destroyed by fire and the loss was estimated at \$85 000.
- How much compensation will Mrs John receive?
- A \$15 000 B \$70 000 C \$77 500 D \$85 000

34 Commercial banks offer a number of services to their customers.

Which service is **not** usually offered?

- A advice on consumer protection
- B cheque facilities based on a current account
- C investment advice for savers
- D loans for house purchase through mortgages

35 What is an advantage of using a debit card to buy goods?

- A bank charges payable
- B high interest paid
- C no need to carry cash
- D payment at a later date

36 Mr Soon has an overdraft limit of \$5000. His current account has a credit balance of \$300.

If he draws further cheques totalling \$2000, what will be the overdrawn balance on his account?

- A \$1700 B \$2300 C \$2700 D \$7000

37 What happens when a business organisation becomes a public limited company?

- A It becomes part of the public sector of business.
- B It changes to a government agency.
- C It expands into a partnership.
- D It offers shares for sale to the general public.

38 What is a person who owns a small business and works for himself called?

- A employee
- B manufacturer
- C shareholder
- D sole trader

39 What is the **most** suitable source of finance for purchasing supplies for a shop?

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

40 Mrs Ali owns a general store. Her figures for a year's trading are shown below.

	\$
stock value at cost January 1st	5 000
stock value at cost December 31st	7 000
purchases January – December	30 000
sales January – December	55 000
expenses January – December	6 000

What is Mrs Ali's net profit for the year?

- A \$14 000 B \$19 000 C \$21 000 D \$49 000