# Cambridge Assessment



# Cambridge O Level

# COMMERCE

Paper 1 Multiple Choice

7100/12 May/June 2020 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)

#### 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.
- 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. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has 12 pages. Blank pages are indicated.



1 Which type of productive activity is shown in the pictures?



2

- A commercial
- B direct services
- **C** extractive
- D secondary
- 2 Which of the following is a primary industry?
  - A factory
  - **B** fruit farm
  - **C** general warehouse
  - D supermarket
- **3** The diagram shows some of the advantages of division of labour in manufacturing.

Which advantage means that it is possible to employ fewer qualified people?





- 4 Which aids to trade are used by sellers to contact buyers?
  - **A** banking and transport
  - **B** communication and advertising
  - **C** insurance and communication
  - D transport and warehousing
- **5** What is a feature of a supermarket?
  - A competitive prices
  - **B** luxurious shopping facilities
  - C many sales floors
  - D specialised sales staff
- 6 Which factor accounts for the continued existence of small-scale retailers?
  - A customers can handle and inspect goods
  - **B** low prices
  - **C** purchases through a voluntary chain
  - D small range of goods
- 7 The pie chart shows percentages of sales revenue received from different methods of selling.



Which percentage of sales revenue was received by retailers without a physical store?

**A** 20% **B** 37% **C** 45% **D** 55%



- 8 What is an advantage to a buyer of purchasing on credit?
  - **A** Credit agreements are easy to understand.
  - **B** Credit is available to anyone.
  - **C** Discounts are usually available.
  - **D** Payment is postponed until a later date.
- 9 Which person is **not** an intermediary?
  - A broker
  - B factor
  - **C** producer
  - D wholesaler
- **10** Joe, a small-scale producer of toys, has seen an advertisement offering help with exporting.

# DO YOU WANT TO EXPORT?

Let us take away the work and worry of selling your goods abroad by buying all your products at competitive prices.

# WE WILL DO THE REST!

Which type of business would have placed this advertisement?

- A export merchant
- B freight forwarder
- **C** import agent
- D insurance broker
- **11** What would be sent to a customer who requires information on goods offered for sale?
  - A advice note
  - B catalogue
  - **C** enquiry
  - D order



**12** A wholesaler sells 50 chairs to a retailer at a price of \$25 each, less 20% trade discount. The retailer returns 8 faulty chairs.

How much should the wholesaler send a credit note to the retailer for?

**A** \$160 **B** \$200 **C** \$1050 **D** \$1250

- **13** What is meant by *mark-up*?
  - A amount added to cost price
  - **B** amount added to selling price
  - C amount of sales revenue
  - D amount of stock turnover
- **14** How much would a buyer pay when given 5% cash discount on an item originally priced at \$1200?

**A** \$60 **B** \$1140 **C** \$1195 **D** \$1200

15 The diagram shows the Balance of Payments.



What is X?

- A current account
- B deposit account
- **C** free trade
- D re-export trade
- 16 What is an example of earnings on a country's Balance of Payments?
  - **A** aid which the country gives to poorer countries
  - **B** families from the country holidaying abroad
  - **C** money spent on the country's imports
  - **D** transport services which the country provides for other countries



- **17** Why do firms advertise?
  - **A** to even out prices
  - **B** to fight competition
  - **C** to increase prices
  - **D** to mislead customers
- 18 Which method of appeal would work **best** in an advertisement for ice cream?
  - A affluence
  - B ambition
  - C fear
  - D music
- **19** Sienna, a designer of fashion accessories, wants to promote her products to a wide audience at low cost.

Which method is most likely to meet these requirements?

- A displaying the accessories at a local hotel
- **B** hiring a celebrity to wear the accessories
- **C** paying for product placement on TV shows
- **D** using social media to interact with customers
- 20 Which information communicated to consumers is constantly changing throughout the day?
  - A customs duties charged at an airport
  - **B** prices of new cars in car showrooms
  - **C** toll charges on highways
  - D world prices of stocks and shares



**21** The table shows information about sending letters.

| weight up to | price  |
|--------------|--------|
| 100 g        | \$0.40 |
| 250 g        | \$0.70 |
| 500 g        | \$0.90 |
| 750 g        | \$1.40 |

How much does it cost to send a letter weighing 600 g?

| <b>A</b> \$0 | .40 | В | \$1.30 | С | \$1.40 | D | \$2.40 |
|--------------|-----|---|--------|---|--------|---|--------|
|--------------|-----|---|--------|---|--------|---|--------|

**22** Recent developments in communication mean the method of purchasing tickets at some railway stations has changed.

What communication device might be used?

- A desk top computer
- **B** intranet
- C touch interface
- **D** voicemail
- 23 What is not the responsibility of a port authority?
  - A collecting customs duties
  - B dredging the harbour
  - **C** installing re-fuelling facilities
  - D providing unloading equipment
- **24** A manufacturer sends goods to a wholesaler using his own transport.

What document would accompany the goods?

- A consignment note
- B credit note
- C delivery note
- D order form



- 25 What is a function of warehousing?
  - **A** to enable production to take place ahead of demand
  - **B** to help large-scale retailers to expand
  - **C** to provide credit for buyers
  - **D** to sell goods as cheaply as possible
- 26 Which service does a regional distribution centre provide for its retailers?
  - A cash discount
  - B display of goods
  - C regular delivery
  - D trade credit
- 27 Mrs Rajapaksa operates a small shop. She uses a cash and carry warehouse to obtain her supplies.

This means she has to

- **A** deal with sales representatives.
- **B** pay her account each month.
- **C** show her membership card.
- **D** wait for goods to be delivered.
- **28** Which insurance cover is a transport company required to have by law to carry goods for its customers?
  - A cash in transit
  - **B** consequential loss
  - **C** public liability
  - **D** third party
- **29** A ship worth \$200 m is insured jointly by three companies under the principle of contribution. Company X covers 50% of the risk, Y covers 30% and Z covers 20%.

How much would company Y be liable for if the ship is lost?

**A** \$40 m **B** \$60 m **C** \$120 m **D** \$200 m



- 30 Which insurance document is a contract between the insured and the insurance company?
  - A certificate of insurance
  - B claim form
  - **C** insurance policy
  - **D** proposal form
- **31** Which person, employed by an insurance company, assesses the amount of compensation paid after an insurance claim?
  - A actuary
  - **B** insurance agent
  - C loss adjuster
  - D underwriter
- **32** The diagram shows the screen of an ATM.



What might be included in 'other services'?

- **A** arranging an appointment with the bank
- **B** offering investment advice
- **C** safeguarding valuable items
- **D** transferring funds between accounts
- 33 Which statement describes a cashless society?
  - A closure of bank branches
  - **B** electronic payments replacing notes and coins
  - **C** elimination of the cheque system
  - D reduction in bank staff



- **34** Which factor will a chain of fast food outlets consider when deciding where to locate a ne...<sup>07</sup> restaurant?
  - **A** amount of competition in the area
  - **B** demand for fast food throughout the country
  - **C** greater popularity of drive-in restaurants
  - D increase in the price of fast food
- 35 Who elects directors in public limited companies?
  - A employees
  - **B** government
  - **C** ordinary shareholders
  - **D** preference shareholders
- 36 The picture shows a customer asking for a bank loan to start a new business.



Why will the bank manager be more willing to lend if the business is operated as a franchise?

- **A** Franchise businesses come with ready-made business plans.
- **B** Franchise businesses have a higher survival rate than sole traders.
- **C** Franchisees are seen as being more skilled at business.
- **D** Franchisors pay some of the initial start-up costs.
- 37 Which description of the rate of inventory turnover is correct?
  - A average delivery time for all products ordered during a trading period
  - **B** number of times the average stock is sold during a year
  - **C** total number of employees leaving during a year
  - **D** total sales during a trading period



**38** The net profit of PP Partnership is 10%. Four partners are in conversation about how it can  $L_{\nu}^{0/2}$  improved.

Which partner makes the **best** suggestion?



- 39 How might a multinational company reduce its carbon footprint?
  - A advertise its products using digital billboards
  - **B** conduct regional meetings through video-conferencing
  - **C** stop giving efficiency ratings on its appliances
  - D use its own transportation vehicles for delivery
- 40 Why does a government have consumer protection laws?
  - A Consumers are safeguarded from unscrupulous traders.
  - **B** Consumers want a bargain when buying a product.
  - **C** Retailers are encouraged to trade legally.
  - **D** Retailers can make profits from consumers.



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