



Cambridge O Level

COMMERCE

7100/12

Paper 1 Multiple Choice

May/June 2025

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.
- Any rough working should be done on this question paper.

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



1 What is an example of primary production?

- A banking
- B building
- C mining
- D warehousing

2 A business is introducing greater specialisation in the production of chocolate.

How would its workers benefit from greater specialisation in the production process?

- A Lower costs will mean lower prices leading to a higher standard of living.
- B Productivity will rise enabling the business to pay higher wages.
- C The business will benefit from economies of scale which will reduce its average costs.
- D There will be a need for more managers to take charge of different stages of production.

3 What does commerce involve?

- A distributing goods required by consumers
- B growing crops to feed workers
- C paying higher wages to skilful workers
- D producing goods required by consumers

4 The diagram shows the chain of distribution for a processed food product.

farmer → manufacturer → wholesaler → X → consumer

What is X?

- A agent
- B broker
- C producer
- D retailer

- 5 Which type of retailer would sell **only** bridalwear?
- A department store
 - B mobile shop
 - C multiple chain store
 - D speciality shop
- 6 What is the correct term for buying and selling using the internet?
- A ebusiness
 - B ecommerce
 - C emarketing
 - D emailing
- 7 Mrs Bambaelle wants to buy a motorcycle priced at \$2400. If she pays cash, a discount of 30% will be given. If she buys on hire purchase, a deposit of 25% is required plus 12 equal instalments of \$180.
- How much extra will she pay if she uses hire purchase to buy the motorcycle rather than paying cash?
- A \$600 B \$720 C \$1080 D \$2580
- 8 Which type of credit would a convenience store give to a customer?
- A extended credit
 - B hire purchase
 - C informal credit
 - D store card
- 9 Which service is provided by wholesalers to retailers?
- A clearing production lines
 - B giving information about consumers
 - C providing a wide variety of goods
 - D supplying raw materials

10 Which statement describes the use of a broker by a manufacturer?

- A** The broker earns commission from the manufacturer.
- B** The broker guarantees payment to the manufacturer.
- C** The broker is responsible for the delivery of goods.
- D** The broker stores the goods in their possession.

11 What do the letters E & OE on an invoice mean?

- A** It means a buyer knows that the invoice is not a request for payment.
- B** It means a guarantee to a buyer that the invoice is legal and correct.
- C** It means a seller has the right to correct any mistakes on the invoice.
- D** It means a seller has thoroughly checked the buyer's creditworthiness.

12 An invoice totalling \$750 is subject to 2.5% cash discount.

How much will the buyer pay?

- A** \$18.75
- B** \$731.25
- C** \$750.00
- D** \$768.75

13 Which statement describes what happens in an entrepôt port?

- A** Imported goods are not subject to customs duties.
- B** Imported goods are stored before re-export without payment of customs duties.
- C** Importers may store goods in bonded warehouses free of any storage charges.
- D** Quotas are imposed on the imported goods that compete with home industries.

- 14 The diagram shows a country's international trade figures for 2023.

	\$ million
visible exports	5300
visible imports	6200
invisible exports	5500
invisible imports	4800

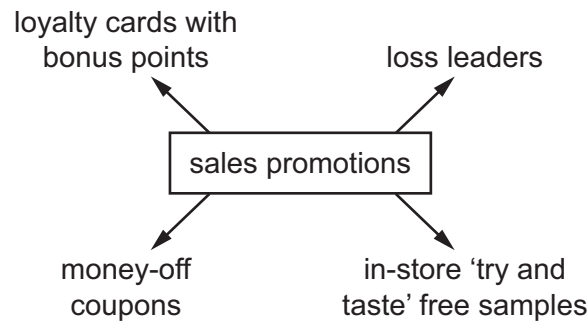
What is this country's Balance of Trade for 2023?

- A –\$900 million
 - B –\$200 million
 - C +\$700 million
 - D +\$1400 million
- 15 Why do customs authorities collect duties on imported goods?
- A to control the entrepôt trade
 - B to raise government revenue
 - C to reduce exports
 - D to restrict smuggling
- 16 XYZ Ltd, ABC Ltd and EFG Ltd are three companies that manufacture smoke alarms for domestic and industrial use.

What kind of advertising could be **most** effective in generating sales for all three companies?

- A collective advertising
 - B competitive advertising
 - C informative advertising
 - D persuasive advertising
- 17 What is a disadvantage of radio advertising?
- A Radio advertisements are cheaper than television advertisements.
 - B Radio advertisements are easy to understand.
 - C Radio advertisements can be heard on different local radio stations.
 - D Radio advertisements can be easily ignored.

18 The diagram shows various methods of sales promotion.



For which type of retailer would **all** of these sales promotion methods be appropriate?

- A convenience store
 - B roadside trader
 - C supermarket chain
 - D vending machine
- 19 What is **not** an effect of the increase in global communication?
- A Buyers and sellers are brought together more easily.
 - B Contracts can be sent and received instantly.
 - C Goods are transported around the world more efficiently.
 - D Information on overseas markets is updated quickly.
- 20 A Chinese tractor manufacturer wants to increase its sales in African countries.
- What could lead to problems with communication for the tractor manufacturer?
- A cost of sending emails
 - B exchange rate fluctuations
 - C restrictive trade regulations
 - D the use of many languages
- 21 What is an example of a use of a smartphone?
- A changing information on a birth certificate
 - B dispensing your own medicine
 - C taking a photo of receipts
 - D trying on shoes before buying

- 22 What is a true statement about pipelines?
- A Maintenance costs are low.
 - B The cost of construction is cheap.
 - C They are affected by the weather.
 - D They can take any kind of goods.
- 23 Which type of transport would issue a bill of lading?
- A air
 - B rail
 - C road
 - D sea
- 24 What is an orbital road circling a city called?
- A highway
 - B ring road
 - C subway
 - D toll road
- 25 Which product is **most** likely to be stored in a warehouse in order to stabilise its price and ensure its supply?
- A greetings cards
 - B heaters
 - C rice
 - D summer clothing
- 26 Which type of warehouse stores illegally imported goods that have been confiscated?
- A bonded warehouse
 - B cash and carry warehouse
 - C cold storage warehouse
 - D public warehouse

- 27 Mari is a professional footballer who plays for Anywhere Athletic Football Club.

Which risk could be insured by both the club and Mari?

- A damage to the club building caused by a fire
- B Mari breaking a leg during a game
- C theft of a smartphone from Mari's car
- D theft of trophies from the club's display unit

- 28 Which term is **not** an insurance principle?

- A compensation
- B indemnity
- C insurable interest
- D utmost good faith

- 29 A business wants to insure stock valued at \$60 000. The premium quoted by an insurance company is \$1 per \$200 value.

What is the premium paid by the business to insure its stock?

- A \$200 B \$201 C \$300 D \$60 200

- 30 What is an advantage to a customer of having an online bank account?

- A being sure of complete security
- B paying in cash and cheques
- C receiving alerts about the account
- D withdrawing cash at any time

- 31 Imran wants to purchase a satellite navigation system from an electrical multiple chain store but does not have the money available.

What would be the **best** way of paying for this product?

- A credit card
- B debit card
- C informal credit
- D standing order

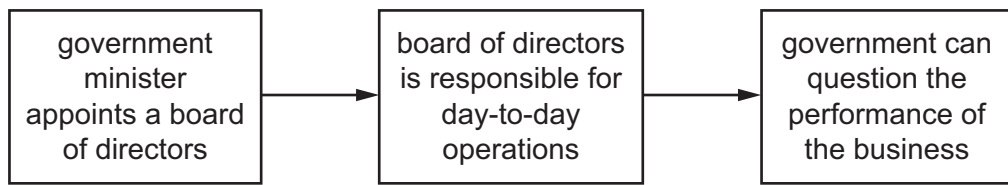
32 Which means of payment is in decline as cashless transactions become more popular?

- A credit cards
- B crossed cheques
- C electronic transfers
- D mobile wallets

33 Which factor will influence a pet shop's location?

- A access to skilled labour
- B access to suppliers
- C nearness to a zoo
- D nearness to market

34 The diagram shows how a business organisation is controlled.



Which type of business organisation is shown in the diagram?

- A partnership
- B private limited company
- C public corporation
- D public limited company

35 What is the **most** likely reason for a person to establish a retail business?

- A A small amount of capital is needed to begin trading.
- B Banks will lend money to retailers without security.
- C Many people are trained in shop management.
- D There is potential to make large profits.

- 36** The table shows some financial information for a business.

	\$
creditors	40 000
overdraft	8 000
stock	35 000
cash	7 000
debtors	16 000

What is the working capital of this business?

- A** \$10 000 **B** \$24 000 **C** \$48 000 **D** \$58 000
- 37** How can the rate of inventory turnover be improved?
- A** by decreasing the advertising budget
- B** by increasing the expenses on salaries
- C** by purchasing obsolete goods cheaply
- D** by selling goods at a discounted price
- 38** The acronym PEST is helpful to analyse the external environment.

What do the letters in PEST stand for?

- A** political, ecological, social and technological
- B** political, economic, social and trade
- C** political, economic, social and technological
- D** political, economic, sustainable and technological

39 The diagram shows a QR code.



What does QR stand for?

- A** quick reply
- B** quick response
- C** quotation reference
- D** quotation request

40 What is an example of a source of renewable energy?

- A** coal
- B** gas
- C** oil
- D** wind

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