

Cambridge O Level

COMMERCE

Paper 1 Multiple Choice

7100/12

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)

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.

- 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

- 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

- 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.

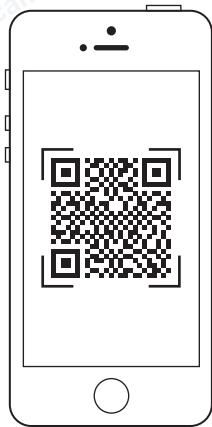
How much would Sam be expected to pay in royalty fees?

- 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

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

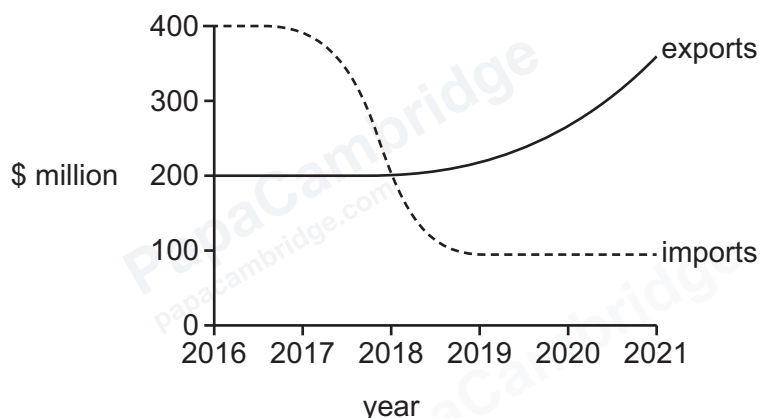
A enquiry
B invoice
C order
D quotation

- 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

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

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.



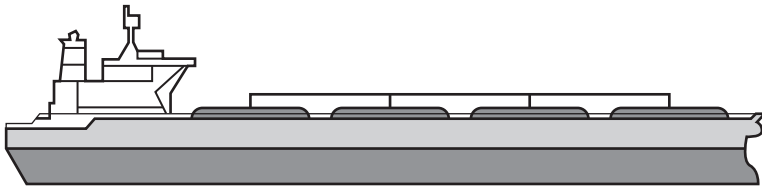
Which method of appeal is the advertiser using?

- 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

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

- 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

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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