

Chapter I Business Environment

Section I Hong Kong Business Environment



1. Which of the following are the roles of business in Hong Kong economy?
 - (1) It promotes economic growth.
 - (2) It provides job opportunities.
 - (3) It improves people's living standard.
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2. Which of the following is/are correct about the business environment in Hong Kong?
 - (1) The contribution of secondary industry to Hong Kong economy is the largest.
 - (2) China is the largest trading partner of Hong Kong.
 - (3) The government employs the majority of Hong Kong's workforce.
 - A. (1) only
 - B. (2) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

3. Which of the following descriptions about the economic and business relationships between Hong Kong and the Mainland are correct?
 - (1) The Mainland is the main origin and destination of Hong Kong's re-exports of goods.
 - (2) The purpose of Closer Economic Partnership Arrangement (CEPA) is to help Mainland enterprises raise capital in Hong Kong.
 - (3) The Mainland is one of the major sources of foreign direct investment in Hong Kong.
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

4. Which of the following is correct regarding the recent development of Hong Kong?
 - A. There is no more primary production now.
 - B. Most of the secondary production in Hong Kong has moved to the Mainland.
 - C. Hong Kong economy has a high dependence on internal trade.
 - D. There is an urgent need in Hong Kong to develop the primary industry to secure the supply of raw materials.

5. Which of the following statements about the characteristics of Hong Kong economy is **INCORRECT**?
- A. Since Hong Kong lacks natural resources, consumer durables are imported into Hong Kong.
 - B. There are no capital or foreign exchange restrictions in Hong Kong.
 - C. The government does not intervene in the functioning of market.
 - D. Hong Kong adopts a simple taxation system.
6. Which of the following are the reasons for foreign companies to set up their headquarters in Hong Kong?
- (1) Hong Kong promotes free trade.
 - (2) Hong Kong adopts a simple taxation system.
 - (3) The market competition is keen in Hong Kong.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
7. Victor is planning to relocate his factory from Hong Kong to Mainland China. Which of the following factors should he be aware of?
- (1) the tightness of the environmental regulations in China
 - (2) the number of tourists from the mainland travelling to Hong Kong
 - (3) cultural differences between Mainland China and Hong Kong
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
8. Julian is going to open a new bookstore in Happy Village. He is worried that the riots originated from the jobless citizens will affect his business. Which of the following factors is he considering?
- A. physical factor
 - B. political factor
 - C. cultural factor
 - D. economic factor

9. Which of the following statements is/are correct?
- (1) Hong Kong imports a variety of goods and services from the Mainland.
 - (2) “Closer Economic Partnership Arrangement” (CEPA) has stopped functioning since 2012.
 - (3) China is a member of Asia-Pacific Economic Cooperation (APEC), while Hong Kong is not.
- A. (1) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
10. Which of the following is/are correct classification(s) of factors affecting business decisions?
- | <u>Factors</u> | <u>Examples</u> |
|----------------|--|
| (1) physical | reliability of telecommunication network |
| (2) social | languages of customers |
| (3) economic | wage level |
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
11. Lulu is an owner of a boutique selling clothes. Which of the following is/are the example(s) of economic factors that might affect Lulu’s plan of extending her clothes retailing business in Hong Kong?
- (1) the inflation rate
 - (2) the legislation of standard working hour
 - (3) the tightness of regulations on the import of foreign labour
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
12. Which of the following statements about World Trade Organization (WTO) or Asia-Pacific Economic Cooperation (APEC) is **INCORRECT**?
- A. WTO encourages members to provide subsidies for local industries.
 - B. APEC serves as a platform for members to have a high-level governmental dialogue.
 - C. WTO possesses the power to impose trade sanctions on members who violate its regulations.
 - D. Decisions made by APEC are carried out by members on a voluntary basis.

13. Which of the following descriptions about the recent development of Hong Kong economy is/are correct?
- (1) There are a lot of capital flows between the Mainland and Hong Kong.
 - (2) Hong Kong serves as an offshore Renminbi business centre of China.
 - (3) After signing Closer Economic Partnership Arrangement (CEPA), Hong Kong left the Asia-Pacific Economic Cooperation (APEC), since China can then represent Hong Kong to take part in the organisation.
- A. (1) only
 - B. (1) and (2) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 14 to 15.

Janna is running a factory manufacturing clothes in the Mainland, and these clothes are to be sold in her boutiques in Hong Kong. She employs more than 100 salesmen and 200 workers for the boutiques and factory respectively. Recently, the demand for clothes increases in Hong Kong, and she is planning to open up a new factory in the Guangdong Province.

14. Which of the following functions of the business sector is/are demonstrated by Janna's business?
- (1) generating revenues
 - (2) providing goods to the locals of both Hong Kong and the Mainland
 - (3) supporting China's business sector
- A. (1) only
 - B. (1) and (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
15. Which of the following factors should Janna consider when making the decision?
- (1) economic factor
 - (2) legal factor
 - (3) physical factor
- A. (1) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

16. Which of the following is **NOT** a threat to local factory owners in Dongguan since China has joined WTO?
- A. the opening up of various industries to foreign investors
 - B. better treatment to foreign investors
 - C. gradual reduction of tariffs on imported products
 - D. the growth of export trade
17. Which of the following statements about the business relationship between Hong Kong and China is/are correct?
- (1) Hong Kong is the largest trading partner of the Mainland.
 - (2) Many enterprises in the Mainland raise capital in Hong Kong through issuing shares in Hong Kong's stock market.
 - (3) Hong Kong's direct investment in the Mainland is insignificant.
- A. (1) only
 - B. (2) only
 - C. (1) and (2) only
 - D. (2) and (3) only
18. Peter is the owner of a factory which manufactures toys in Guangdong. Which of the following are the economic factors affecting his business?
- (1) the price level
 - (2) the tightness of labour laws and environmental regulations
 - (3) the salary level in neighbouring provinces
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
19. Which of the following is/are the correct description(s) about the business relationship between Hong Kong and the Mainland?
- (1) Due to the WTO arrangement, there is a closer link between Hong Kong and the Mainland.
 - (2) After the adoption of the "Open Door Policy" by the Chinese government, the share of tertiary sector of Hong Kong has grown significantly.
 - (3) After the signing of CEPA, entrepreneurs from Hong Kong can get subsidies from the Chinese government.
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

20. Which of the following are correct descriptions about globalisation?
- (1) Countries are more interdependent than before.
 - (2) There is little capital flow between countries under globalisation.
 - (3) There is a growth in multinational trade.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 21 to 22.

FaFa Limited is a multinational corporation processing and selling coffee all over the world. It purchases coffee beans from Brazil and hires BrewBrew Limited to process them in India. It has established more than 200 branches selling coffee in different countries. Due to an increasing demand for coffee in China, Fiona, the general manager of FaFa limited, is planning to extend its business to China.

21. Which of the following impacts of globalisation on business is/are demonstrated by FaFa Limited?
- (1) an increasing popularity of global sourcing and outsourcing
 - (2) a fiercer competition among companies
 - (3) more international capital flows
- A. (1) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
22. Which of the following are cultural factors affecting Fiona's decision on the company's expansion?
- (1) the number of public holidays set by the Chinese government
 - (2) whether the majority of the public like drinking latte
 - (3) whether drinking coffee is popular among the Chinese elderly
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

23. Which of the following descriptions about the World Trade Organization is **INCORRECT**?
- A. It monitors national trade policies.
 - B. It acts as a channel for settling international trade disputes.
 - C. It provides technical assistance and support to the members of less developed countries.
 - D. It provides financial assistance to exporters from the member countries.
24. Which of the following is **NOT** a benefit for countries joining the WTO?
- A. Developing countries can receive technical assistance.
 - B. International disputes can be settled more easily.
 - C. The member countries can attract foreign financial institutions to compete with the local ones.
 - D. The member countries will become less vulnerable to trade wars.
25. Which of the following are the impacts of globalisation brought to the business sector?
- (1) It increases global sourcing.
 - (2) Companies recognise the differences in tastes and preferences of people in different nations.
 - (3) It encourages the transfer of technology applied in production to developing countries.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
26. Which of the following are the negative impacts brought by globalisation?
- (1) exhaustion of resources
 - (2) deprivation of labour rights
 - (3) economic instability
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

27. Which of the following are true regarding the importance of the business sector in Hong Kong?

- (1) It generates government revenue.
- (2) It helps obtain foreign exchange to pay for imports.
- (3) It provides employment opportunities.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

28. Which of the following is/are the purpose(s) of the Closer Economic Partnership Arrangement (CEPA)?

- (1) reduce trade barriers between Hong Kong and China
- (2) facilitate free cross-border capital flow between Hong Kong and China
- (3) maintain a free flow of information between Hong Kong and China

- A. (1) only
- B. (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

29. Which of the following is/are correct classification(s) of factors affecting business decisions?

	<u>Factors</u>	<u>Examples</u>
(1)	technological	reliability of transportation system
(2)	economic	cross-border telephone charges
(3)	legal	licensing regulations

- A. (1) only
- B. (2) only
- C. (1) and (3) only
- D. (2) and (3) only

Based on the following information, answer Questions 30 to 33.

Under globalisation, large companies in Hong Kong get involved in international business. They have to overcome many challenges to expand into foreign markets effectively. Therefore, they need to consider many factors to make business decisions.

After being involved in international business, their operations are greatly influenced by the macro environment.

30. Which of the following are impacts of globalisation?
- (1) It intensifies global competition.
 - (2) It encourages technology transfer.
 - (3) It reduces production costs of goods.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
31. Religion, traditions and daily habits are _____ to be considered.
- A. physical factors
B. legal factors
C. cultural factors
D. political factors
32. Rules and regulations on foreign goods are _____ to be considered.
- A. physical factors
B. legal factors
C. cultural factors
D. political factors
33. Which of the following are the examples of economic factors that may affect the operations of the international business in foreign markets?
- (1) the value of currencies in some foreign countries compared with their neighbours
 - (2) whether high inflation exists in some foreign countries
 - (3) geographical dispersion of the overseas markets
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

Based on the following information, answer Questions 34 to 36.

Aloha Book Company is a bookstore established 30 years ago. Jason, the owner of Aloha, considers expanding his business into the e-book market. However, he felt very worried about the recent growing trend of using e-books.

34. He found out that the growing trend was caused by the increasing concern for the health of students carrying heavy books. In this case, he considered the _____ factor.
- A. physical
 - B. legal
 - C. social
 - D. economic
35. Later, the government announced that it would subsidise the use of e-books in the future. This is a _____ which might affect Jason on making business decisions.
- A. physical factor
 - B. legal factor
 - C. social factor
 - D. economic factor
36. Besides, Jason conducted a market research on customer buying behaviour. He considered the _____ .
- A. physical factor
 - B. legal factor
 - C. social factor
 - D. economic factor
37. Which of the following is/are the feature(s) of the Hong Kong economy?
- (1) Companies adopt the laissez-faire leadership style.
 - (2) The workforce is attractive due to rising wages.
 - (3) The economy is easily affected by global economic conditions.
- A. (2) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (2) and (3) only

38. Which of the following is/are the correct description(s) about Asia-Pacific Economic Cooperation?
- (1) It establishes obligatory treaty commitment.
 - (2) It settles trade disputes among countries in Asia-Pacific region.
 - (3) It facilitates trading and investments between members.
- A. (2) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (2) and (3) only
39. Which of the following is/are NOT the contribution(s) of World Trade Organization?
- (1) removing all trade barriers in the world successfully
 - (2) offering monetary support to countries developing trade
 - (3) developing the infrastructure in developing countries to facilitate their trade
- A. (2) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (2) and (3) only
40. Which of the following is/are the impact(s) of globalisation?
- (1) provision of high-quality international goods
 - (2) increased international capital flow
 - (3) loss of cultural identity
- A. (1) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (1), (2) and (3)