



CASE I

Frank, a fresh graduate, has just passed his full-time probationary period of 3 months in *ABC Ltd.* He officially becomes a full-time worker. As *ABC Ltd.* is a subcontractor of the government, Frank works closely with government officials.

1. Is Frank required to join the Mandatory Provident Fund Scheme (MPF)? Why?
 - A. Yes. Frank is an adult and he has to pay salaries tax.
 - B. Yes. Frank has already worked for not less than 60 days for the company.
 - C. Yes. Frank has a close relationship with the government, which introduces the MPF scheme.
 - D. No. Frank is just a fresh graduate.

Frank is now a full-time worker. However, due to his lack of experience, he receives a meagre income of \$6,300 per month.

2. Assume that Frank joins the MPF scheme. Which of the following is/are the right(s) of Frank under the MPF scheme?
 - (1) change his investment choices
 - (2) make extra contributions to the MPF fund
 - (3) take out all his funds when he quits his job
 - A. (1) only
 - B. (2) only
 - C. (1) and (2) only
 - D. (2) and (3) only

Alongside the bad temper of his superiors, monotonous work bores Frank, lowering his job satisfaction. A month later, Frank resigned and became a self-employed person with a monthly income of \$7,000. However, he is not familiar with the responsibilities of a self-employed person in the MPF scheme.

3. Which of the following are the responsibilities of a self-employed person in the MPF scheme?
 - (1) enrol himself in an MPF scheme
 - (2) manage his MPF funds by himself only
 - (3) consider carefully before choosing any MPF schemes to join
 - 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 are **INCORRECT**?
- (1) Employees can change the allocation of their contributions in the MPF scheme while self-employed persons cannot.
 - (2) Employees can transfer their MPF accounts to another MPF scheme once a month.
 - (3) Employees receive a higher return of investment than self-employed persons do.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
5. Some claim that since young singles like Frank do not earn much, it is not necessary for them to have financial planning. However, Frank disagrees with that. Which of the following is/are the financial need(s) of Frank?
- (1) create wealth only for immediate consumption
 - (2) make plans for later stages in his life cycle
 - (3) set up inheritance
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

CASE 2

To earn extra income, William decides to invest in debentures. The following are two financial plans available as at 1 March, 20X8.

Financial Plans	Plan A	Plan B
Investment amount (\$)	300,000	300,000
Nominal rate of return per annum	40%	y%
Compounding frequency	Annually	Half-yearly
Anticipated future amount	420,000	417,720

For both Plans A and B, investors can take back their principals with interests on 28 February, 20X9.

6. The expected effective rate of return of Plan A is _____ while that of Plan B is _____.
- A. 39.24% 40%
 - B. 40% 18%
 - C. 40% 36%
 - D. 40% 39.24%

7. Find the value of y .
- A. 18
 - B. 36
 - C. 39.24
 - D. 40
8. Assume that the nominal rate of return per annum of Plan A remains unchanged. What is the new anticipated future amount of Plan A if the interest is compounded half-yearly instead?
- A. \$360,000
 - B. \$420,000
 - C. \$432,000
 - D. \$588,000
9. Which of the following is correct?
- A. The anticipated future amount of the investment amount in Plan B will be doubled if the interest is compounded quarterly instead.
 - B. The anticipated interest return of the investment amount in Plan B will be doubled if the interest is compounded quarterly instead.
 - C. Generally speaking, the risk of return of debentures is slightly lower than that of stocks.
 - D. A good personal credit record is important for investing in debentures.
10. After consulting a professional manager, William chooses Financial Plan B finally. Which of the following is/are the responsibility(-ies) of William?
- (1) file complaints against misleading managers
 - (2) understand the contract terms
 - (3) check transaction documents regularly
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

CASE 3

Miss Chan has already applied for an instalment loan. Someone informs Miss Chan that it is important to maintain a good personal credit record but she doesn't know the rationale behind.

11. Which of the following show the importance of maintaining a good personal credit record?
- (1) easier to get loans
 - (2) have a lower chance to be charged with higher interest rates
 - (3) maintain good personal credit worthiness
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
12. Which of the following about using instalment loans is/are correct?
- (1) The periodic repayment amount can be lower based on the consumer's choice.
 - (2) Customers enjoy high flexibility in repaying instalment loans.
 - (3) Instalment loan is a type of non-revolving credit.
- A. (1) only
B. (2) only
C. (1) and (3) only
D. (2) and (3) only

CASE 4

Alex wants to invest in the Hong Kong stock market. He plans to buy stocks of *XYZ Tours*, a tour company listed on the Hong Kong Stock Exchange. *XYZ Tours* only organises trips to the East Asia.

13. Which of the following would raise the share price of *XYZ Tours*?
- (1) the depreciation of Japanese yen
 - (2) the rising oil price
 - (3) the decision to distribute more dividends
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

Apart from *XYZ Tours*, Alex also plans to buy stocks of *ABC Tours*, another tour company listed on the Hong Kong Stock Exchange. *XYZ Tours* is listed on the Main Board while *ABC Tours* is listed on the Growth Enterprise Market.

14. Which of the following statements is correct?
- A. *XYZ Tours* always earns more profits than *ABC Tours*.
 - B. *XYZ Tours* has a longer trading record period than *ABC Tours* does.
 - C. It should be less risky to invest in *XYZ Tours* than in *ABC Tours*.
 - D. It should be more profitable to invest in *XYZ Tours* than in *ABC Tours*.

Alex is concerned about not only the share prices of *XYZ Tours* and *ABC Tours* but also the Hang Seng Index every day.

15. Which of the following statements about the Hang Seng Index is correct?
- A. The Hang Seng Index is a measurement of the performance of the Hong Kong property market.
 - B. When the Hang Seng Index rises, the share price of *XYZ Tours* rises, and vice versa.
 - C. All companies listed on the Main Board are the constituent companies of the Hang Seng index.
 - D. The Hang Seng Index acts as a benchmark of investment management to help Alex adjust his investment portfolios.