

South Tuen Mun Government Secondary School  
BAFS\_PA\_DSE\_I\_2018

Name: \_\_\_\_\_

Class: \_\_\_\_\_ ( )

**Part 2** (10 marks) Answer **ONE** question in this part.

4. On 1 January 2017, Mandy commenced a sole proprietorship firm to design and sell computer software. The following balances were extracted from the books of the firm as at 31 December 2017:

	\$
Trade receivables	13 000
Motor van	48 000
Bank loan (to be matured in July 2018)	30 000
Sales	220 000
Trade payables	8 000
Purchases	98 000
Equipment	166 000
Operating expenses	105 600
Cash at bank	16 000
Capital, 1 January 2017	?

- (a) On 31 December 2017, the inventory of the firm was valued at \$26 000. Prepare a statement of financial position of Mandy's firm as at 31 December 2017. (5 marks)

The staff of the research and development department in the firm may freely design different computer software products, but the selection of the new product designs is done by Mandy alone, without involving any other staff.

- (b) State the leadership style adopted by Mandy. (1 mark)
- (c) Explain two disadvantages of the leadership style adopted by Mandy. (4 marks)

(Total: 10 marks)

5. On 1 January 2018, the cash at bank account of Vincent's firm carried a debit balance of \$20 000. The following transactions took place in January 2018:

2018

Jan	3	Purchased goods on credit with a list price of \$10 000. The supplier offers a trade discount of 2% for purchase orders over \$5 000 and a cash discount of 3% for settlements within 10 days after purchase.
	7	Repaid the supplier for the purchase made on 3 January 2018 by cheque.
	10	Paid rent by cheque for \$7 000.
	25	Sold goods on credit for \$12 000.

- (a) Prepare the T-accounts in the books of Vincent's firm to record the above transactions. (5 marks)

During the year, Vincent's firm aims to reduce costs. However, the marketing manager wants to launch a large-scale sales promotion campaign. The budgeted cost of the campaign is 50% of last year's sales.

- (b) State the principle of effective management that has been violated in the above case. (1 mark)
- (c) Explain two reasons for adopting the principle of effective management in (b) above. (4 marks)

(Total: 10 marks)

**QUESTION 4**

**Marks**

(a)

Mandy			
Statement of financial position as at 31 December 2017			
	\$	\$	\$
<b>Non-current assets</b>			
Equipment			166 000
Motor van			48 000
			214 000
<b>Current assets</b>			
Inventory		26 000	
Trade receivables		13 000	
Cash at bank		16 000	
		55 000	
<b>Less: Current Liabilities</b>			
Bank loan	30 000		
Trade payables	8 000	38 000	
			17 000
			231 000
<b>Financed by</b>			
Capital, as at 1 January 2017 (Balancing figure)			188 600
Add: Net profit (\$220 000 – (\$98 000 – \$26 000) – \$105 600)			42 400
			231 000

0.5

0.5

0.5

0.5

0.5

0.5

0.5

0.5

1

(5)

(b) Autocratic leadership

1

(c) Disadvantages:

4

- employees' job satisfaction and commitment would be lowered/greater resistance from employees
- Mandy has a heavier workload/quality of decision-making depends on Mandy's capabilities

(2 marks for each relevant disadvantage, max. 4 marks)

10 marks

**QUESTION 5**

**Marks**

(a)

Cash at bank					
2018		\$	2018		\$
Jan 1	Balance b/d	20 000	Jan 7	Trade payables	9 506
			Jan 10	Rent	7 000
Purchases					
2018		\$			\$
Jan 3	Trade payables	9 800			
Trade payables					
2018		\$	2018		\$
Jan 7	Cash at bank	9 506	Jan 3	Purchases	9 800
Jan 7	Discounts received	294			
Discounts received					
			2018		\$
			Jan 7	Trade payables	294
Rent					
2018		\$			\$
Jan 10	Cash at bank	7 000			
Sales					
		\$	2018		\$
			Jan 25	Trade receivables	12 000
Trade receivables					
2018		\$			\$
Jan 25	Sales	12 000			

(5)

(b) Unity of direction

1

(c) Reasons:

4

- create coherence among employees to achieve the same objectives
  - avoid management confusions/conflicts among different departments
  - help to build up team spirit
- (2 marks for each relevant reason, max. 4 marks)

10 marks