

South Tuen Mun Government Secondary School
BAFS_Business Environment_DSE

PP1. Mike wants to set up a yoghurt shop in Mongkok. Which of the following factors is he considering if he conducts a survey on the tastes and preferences of his target customers?

- A. technological factors
- B. physical factors
- C. economic factors
- D. social and cultural factors

PP4. For products traded on the Hong Kong Exchanges and Clearing Limited, if an investor suffers financial losses on investment due to default of an authorized intermediary, from which of the following institutions should a remedy be sought?

- A. Investor Compensation Company Limited
- B. Hong Kong Deposit Protection Board
- C. Hong Kong Exchanges and Clearing Limited
- D. Securities and Futures Commission

PP16. Which of the following are the roles of small and medium enterprises in Hong Kong's economy?

- (1) create employment
 - (2) widen the variety of products offered
 - (3) promote competition
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

PP17. Which of the following is./ are the benefit(s) of buying a company's ordinary shares over buying its debentures?

- (1) avoid total loss of investment
 - (2) have voting rights in the annual general meeting
 - (3) guarantee higher returns
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

PP20. Which of the following descriptions of business ownership is correct?

- A. A limited company distributes dividends to ordinary shareholders before preference shareholders.
- B. A franchise is formed by two or more business entities to develop, produce or sell products.
- C. A sole proprietorship does not have a separate legal entity status.
- D. Public enterprises are wholly owned by large multinational corporations to provide essential goods and services to the public.

PP23. The main function of the _____ is to provide financial and technical assistance to developing countries.

- A. World Trade Organization
- B. International Monetary Fund
- C. World Bank
- D. Asia-Pacific Economic Cooperation

PP26. Which of the following is the difference between small and medium enterprises (SMEs) and multinational corporations (MNCs) in Hong Kong?

- A. SMEs have limited sources of financing while MNCs have more sources of financing.
- B. SMEs operate locally while MNCs operate beyond their national boundaries.
- C. SMEs are reluctant to respond to market change while MNCs are responsive to market change.
- D. SMEs are capital intensive and use relatively simple technology while MNCs are labour intensive and use relatively high technology.

PP27. Which of the following is not a necessary characteristic of entrepreneurs?

- A. ready to receive innovative ideas
- B. possess good academic qualifications
- C. persist in order to actualise goals
- D. ambitious to initiate change

SS1 If you set up a business with your friend as a partnership, which of the following benefits would you enjoy?

- (1) You may bear limited liability.
 - (2) The company would exist as a separate legal entity.
 - (3) Management expertise offered by a board of directors.
 - (4) Company information needs not be disclosed to the public.
- A. (1) and (2) only
 - B. (1) and (4) only
 - C. (2) and (3) only
 - D. (3) and (4) only

SS Refer to the following case for Questions 8 - 9:

The board of directors of NSS Limited held a meeting to consider the acquisition of a boutique in Singapore as a way to expand its garment business internationally. Anna, the finance director, provided a series of financial analyses. However, the marketing director could not understand the information and asked, 'Why don't you simply give us the conclusion: Acquire or not to acquire?'

SP8. What kind of communication barrier has occurred in the above situation?

- A. use of jargon
- B. time pressure
- C. conflicting goals
- D. different perception

SP9. Which of the following non-financial factors would also be relevant to the acquisition decision?

- (1) Political stability
 - (2) Market size and potential
 - (3) Cultural difference of target customers
 - (4) Communication and transportation infrastructure
- A. (1) and (4) only
 - B. (2) and (3) only
 - C. (2), (3) and (4) only
 - D. (1), (2), (3) and (4)

SP10. Which of the following statement(s) about entrepreneurs is(are) correct?

- (1) Entrepreneurs prefer to take high risks.
 - (2) Entrepreneurs are quick at identifying the sources of finance.
 - (3) Entrepreneurs accept failures as an integral part of business success.
- A. (1) only
 - B. (2) only
 - C. (3) only
 - D. (1), (2) and (3)

2012_4. The ownership of Small and Medium Enterprises (SMEs) can take different forms. SMEs

- (1) cover market segments which are not served by large companies.
- (2) provide more employment opportunities to local workers than large companies.
- (3) enjoy a lower tax rate than large companies.

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

2012 10. Which of the following are the impacts of globalisation on the business sector?

- (1) increased international trade
- (2) reduced production cost of goods
- (3) intensified global competition

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

2012 11. Which of the following is not a purpose of the Closer Economic Partnership Arrangement (CEPA)?

- A. reduce barriers on the trade of goods between Hong Kong and the Mainland
- B. promote free trade in services between Hong Kong and the Mainland
- C. ensure free flow of information between Hong Kong and the Mainland
- D. facilitate cross-border business investment between Hong Kong and the Mainland

2012 12. Which of the following statements is correct?

- A. All partners in a limited partnership enjoy limited liability.
- B. All shareholders of a limited company have voting rights in the board of directors' meeting.
- C. A limited company needs to disclose its financial statements to the public.
- D. A public corporation is owned by the government.

2012 18. If a limited company wants to go public through the issuing of new shares, which of the following markets should it go to?

- A. primary market
- B. listed exchange
- C. secondary market
- D. over-the-counter market

2012 29. Which of the following are the characteristics of a successful entrepreneur?

- (1) willing to accept challenges
- (2) follow routine practices closely
- (3) strong desire to achieve

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

2013 1. Which of the following descriptions about a franchised shop is correct?

- A. operates under the authorisation of franchisor
- B. has full control over its promotion strategies
- C. must be registered as a limited company
- D. only applicable to retail and catering businesses

2013 5. All the owners of a business enjoy limited liability. Although the business has no regulatory obligation to disclose its financial reports, it still publishes these reports via the internet each year.

The business is a

- A. limited partnership.
- B. private limited company.
- C. company listed on the Main Board.
- D. company listed on the Growth Enterprise Market Board.

2013 11. Which of the following statements regarding Small and Medium Enterprises (SMEs) in Hong Kong is correct?

- A. SMEs enjoy a lower tax rate.
- B. SMEs can be listed on the stock exchange.
- C. SMEs are involved in primary and secondary production only.
- D. SMEs do not hire more than twenty employees.

2013 12. Which of the following is not a function of World Trade Organisation?

- A. provide a forum for negotiation aimed at reducing obstacles to international trade
- B. settle disputes among its members regarding the interpretation of trade agreements
- C. monitor and review the trade policies of its members
- D. provide loans and subsidies to developing countries for trade development

2013 16. Which of the following would encourage a multi-national trading company to move its headquarters to Hong Kong?

- (1) larger number of multi-national companies than small and medium enterprises in Hong Kong
- (2) good transportation network between Hong Kong and other Asian cities
- (3) lower profits tax rate in Hong Kong

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

2013 17 _____ promotes the stability and integrity of the banking system while _____ administers listing, trading and clearing rules in Hong Kong.

- A. Hong Kong Monetary Authority Securities and Futures commission
- B. Hong Kong Monetary Authority Hong Kong Exchanges and Clearing Limited
- C. Securities and Futures Commission Hong Kong Monetary Authority
- D. Securities and Futures Commission Hong Kong Exchanges and Clearing Limited

2013 22. Which of the following statements are correct?

- (1) Hong Kong is an offshore Renminbi Business Centre of Mainland China.
- (2) The main origin and destination of Hong Kong's re-exports of goods are Mainland China.
- (3) "Closer Economic Partnership Arrangement" (CEPA) aims at raising capital in Hong Kong for Mainland enterprises.

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

2013 23. All entrepreneurs:

- A. earn profits by taking business risks.
- B. start businesses with their own capital.
- C. enter the market with new products.
- D. possess extensive knowledge and experience in the business.

2014 1 Which of the following statements about limited companies in Hong Kong is/are correct?

- (1) A limited company is a separate legal entity.
- (2) Limited companies enjoy a lower profits tax rate than sole proprietorships.
- (3) Limited companies are required to publish their financial statements in a newspaper.

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

2014 6. Which of the following statements about small and medium enterprises (SMEs) in Hong Kong are correct?

- (1) An SME employs fewer than 50 persons.
- (2) SMEs contribute a majority of employment opportunities in Hong Kong.
- (3) SMEs often provide products and services that complement large companies.

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

2014 15. Which of the following is/are the example(s) of economic factors that might affect the business of a jewellery shop in Hong Kong?

- (1) There is an increase in the income and consumption power of mainland tourists.
- (2) The mainland government allows residents of more cities to come to Hong Kong for individual visits.
- (3) The cross-border transport facilities are improved.

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

2014 17. Mr Chan is the general manager of a large supermarket chain. He sets a target for the chain: "We will increase the sales volume of the Kowloon area by 10% as soon as possible." Which of the following criteria for setting good objectives is/are **NOT** met in this target?

- (1) specific
 - (2) time-bound
 - (3) measurable
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

2014 Consider the following case and answer Questions 22-23:

Horace worked in an information technology firm for a number of years. Last year, he resigned and set up his own business providing computer repair services. His service is highly appreciated by customers but some of them comment that Horace often uses technical jargon, which they find hard to understand.

2014 22. Which of the following are the entrepreneurial characteristics demonstrated by Horace?

- (1) seek new opportunities
 - (2) desire for independence
 - (3) receptive to innovative ideas
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2014 23. According to the comments of Horace's customers, Horace has violated the principle of effective communication.

- A. clarity
- B. completeness
- C. concreteness
- D. conciseness

2014 24. Which of the following is an example of using 'quality business information to make a decision?

- A. buying shares based on the comments of a bank teller
- B. buying foreign currencies according to the recommendations of a financial newspaper published the previous week
- C. buying a mobile phone after reading users' reviews on the internet
- D. buying air tickets after reading the ' relevant terms and conditions on the airline's webpage

2014 30. Which of the following statements about Asia-Pacific Economic Cooperation is correct?

- A. It provides loans to developing countries in the Asia-Pacific region.
- B. It supports sustainable economic growth in the Asia-Pacific region.
- C. It settles trade disputes among countries in the Asia-Pacific region.
- D. It issues certificates of origin for products manufactured in the Asia-Pacific region.

2015 1. A limited partner

- A. is a nominal partner
- B. is not liable for the debts of a partnership
- C. does not need to invest money into a partnership
- D. does not take part in the management of a partnership

2015 2. Which of the following statements about stakeholders of a company is correct?

- A. Competitors are not stakeholders of a company.
- B. Stakeholders of a company would be affected by the decisions made by the company.
- C. All stakeholders can share the assets of the company upon its liquidation.
- D. A client becomes a company's stakeholder only after he/she has settled his/her outstanding debts to the company.

2015 11. Which of the following is/are the characteristics) of small and medium enterprises (SMEs) in Hong Kong?

- (1) They are responsive to market changes.
- (2) They have a tall-type organisational structure.
- (3) Their tax rate is different from that of large companies.

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

2015 16. Which of the following are the characteristics of the Hong Kong economy?

- (1) simple taxation
- (2) reliance on external trade
- (3) concentration on secondary industry

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

2015 22. Which of the following statements regarding the World Trade Organisation (WTO) are correct?

- (1) WTO settles trade disputes among members.
- (2) Decisions made by WTO are binding on all members.
- (3) WTO helps developing countries develop the infrastructure needed to expand their trade.

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

2015 26. Which of the following are the impacts of globalisation on business?

- (1) reduce information cost
 - (2) reduce competition among businesses
 - (3) facilitate transfer of technology between different countries
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2015 27. Which of the following is/are the characteristic(s) of a public corporation?

- (1) Its losses are borne by taxpayers.
- (2) It is operated on a commercial basis.
- (3) The government is involved in its daily operations.

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

2016 1. Which of the following is/are the characteristic(s) of multinational corporations located in Hong Kong?

- (1) Their operations also take place outside Hong Kong.
- (2) They are listed on the stock exchange of Hong Kong.
- (3) They have more than 100 employees.

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

2016 6. Which of the following descriptions of joint ventures in Hong Kong is correct?

- A. Partners of a joint venture usually share the profits of the joint venture equally.
- B. A joint venture must be formed by one local company and one foreign company.
- C. A joint venture is an entity independent from all its partners.
- D. A joint venture enjoys a lower profits tax rate than a general partnership.

2016 16. Which of the following statements about business ownership are correct?

- (1) Public corporations are wholly owned by the Government.
- (2) The minimum number of shareholders of a limited company is 2.
- (3) A nominal partner is not the owner of the partnership.

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

2016 17. Which of the following is a benefit brought about by the "Closer Economic Partnership Arrangement" (CEPA) for the businesses in Hong Kong?

- A. Companies owned by Hong Kong residents are not taxed on the Mainland.
- B. There is free flow of capital between Hong Kong and the Mainland.
- C. Tariffs are not levied on goods originating in Hong Kong exported to the Mainland.
- D. Hong Kong is allowed to enter the World Trade Organisation as an independent economy.

2016 20. Which of the following are the importance of small and medium enterprises to the local economy?

- (1) They provide materials and services to large businesses.
- (2) They provide unique products to satisfy the needs of the Hong Kong market.
- (3) They provide the major source of tax income for Hong Kong.

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

2016 22. Which of the following are the benefits of defining the goal of a project?

- (1) provide clear directions to employees
- (2) help control the progress of work and monitor the performance of employees
- (3) reduce employees' workload

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

2016 28 A _____ is easier to set up and enjoys a relatively low tax rate in Hong Kong. All owners are liable for the business decisions of one another in this entity.

- A. partnership
- B. sole proprietorship
- C. private limited company
- D. public limited company

2014 1. Patrick, Queenie and Ronald jointly set up a business in the form of a limited partnership.

The partnership agreement contains the following terms:

- Only Queenie and Ronald will contribute capital.
- Patrick and Ronald have no involvement in the daily operations of the partnership.
- If the partnership is liquidated, only Queenie has to pay the outstanding debts of the partnership, using her personal funds.

(a) Identify the nominal partner in this partnership. (1 mark)

(b) Suggest TWO contributions that a nominal partner could make to a partnership. (4 marks)

2015 Q1

1. Annie operates a small guest house on Lamma Island for foreign travellers. She sets up an Internet booking system for the guest house, with the following goal:

"To increase the number of Internet bookings substantially in the near future"

(a) Briefly explain two characteristics of a SMART goal that are missing from the above goal. (4 marks)

(b) Explain ONE political factor and one legal factor that may affect Annie's business. (4 marks)

2015 5. John commenced a trading firm on 1 January 2014 as the sole owner.

The financial information of the firm for the year ended 31 December 2014 is as follows:

	\$
Carriage inwards	25500
Carriage outwards	23600
Inventory, 31 December 2014	88000
Purchases	227 500
Rental expenses	128000
Returns outwards	9230
Sales	492000
Salaries	120000

(a) Prepare an income statement for John's business for the year ended 31 December 2014. (5 marks)

To raise money for expansion, John wants to change the form of business ownership of the firm. He plans to invite five people to invest in and join the business as owners. After expansion, all owners shall have limited liability for the firm. Their ownership cannot be freely transferred.

- (b) According to the above information, which form of business ownership will John adopt for the expansion? (1 mark)

- (c) Apart from the restriction in ownership transfer, suggest two other disadvantages for the form of business ownership mentioned in (b), as compared to a sole proprietorship. (4 marks)

2016 3. Carlo operates a reputable restaurant chain in Italy with customers from all over the world. He is planning to establish branches in Hong Kong. A business consultant suggests him to operate the branches in the form of franchising.

- (a) Give TWO reasons why Carlo should establish the branches in the form of franchising instead of setting up his own restaurants in Hong Kong. (4 marks)

(b) Explain one legal factor and one cultural factor that Carlo should consider when setting up branches in Hong Kong. (4 marks)

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SP

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2012

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2013

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2014

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2015

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2016

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2017

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Year		Marks
SP Q1	<p><u>Elements of a business plan</u></p> <ul style="list-style-type: none"> ● mission and business objectives ● form of ownership ● operations management ● marketing management ● financial management ● human resource management ● contingency actions <p>(1 mark for each relevant element. max. 4 marks)</p>	4 marks
SP Q2	<p><u>External factors:</u></p> <ul style="list-style-type: none"> ● political/legal: government policies about licensing, rules and regulations ● economic: economic growth, income level and purchasing power ● socio-cultural: cultural values, life style ● technological: technological level of cafe operation, IT applications ● competitiveness: operation of other cafes and competition in the industry <p>(2 marks for each relevant factor, max.6 marks)</p>	6 marks
SPQ3	<p><u>Criteria for assessing the franchisor:</u></p> <ul style="list-style-type: none"> ● franchisor's reputation ● restrictions and obligations initial joining fee and royalty ● support and assistance offered, e.g. promotion and training ● franchisor's positioning and strategies match own expectation and desire <p>(2 marks for each relevant reason, max. 4 marks)</p>	
2012Q7	<p>(a) Reasons to form a partnership</p> <ul style="list-style-type: none"> ● share of risk / workload ● more sources of capital ● more expertise / innovative ideas <p>(2 marks for each relevant reason, max. 4 marks)</p>	
	<p>(b) Criteria of good business goals and its examples: (SMART)</p> <ul style="list-style-type: none"> ● specific: e.g. earn a definite amount of profit ● measurable: e.g. achieve a 10% increase in profit ● challenging but attainable: e.g. earn a reasonable amount of profit ● time-based: e.g. earn a certain amount of profit in the first year of operations <p>(2 marks for each relevant reason, max. 4 marks)</p>	
2013Q2	<p>External factors:</p> <ul style="list-style-type: none"> ● technological, e.g. reliability of telecommunication system ● social, e.g. language used by operators ● economic, e.g. wages level, cross-border telephone charge ● legal, e.g. labour law, licensing regulations ● physical, e.g. geographical dispersion ● political, e.g. political stability 	
2014Q1	<p>a) Nominal partner: Patrick</p>	

	<p>b) Contributions</p> <ul style="list-style-type: none"> ● provide professional advice ● enhance reputation of the business ● strengthen business linkages <p><i>(2 marks for each relevant contribution, max. 4 marks)</i></p>	
2015Q1	<p>(a) Characteristics:</p> <ul style="list-style-type: none"> ● measurable: the goal does not specify a quantified amount of increase ● time-bound: the goal does not specify the targeted time frame ● specific: the number of Internet bookings may refer to the log-in times of customers, successful bookings or the bookings that lead to actual rental ● realistic/attainable: the goal may not be achievable, e.g. due to the shrinking tourism business around the world <p><i>(2 marks for each relevant characteristic, max. 4 marks)</i></p>	
2015Q1	<p>(b) Factors may affect Annie's business:</p> <p>Political factor: political stability of Hong Kong / travellers' home countries the relationship between Hong Kong/China and the travellers' home countries</p> <p>Legal factor: regulations related to guest house/hotel licensing regulations related to visa requirement</p>	
2015Q5	<p>(b) Private Limited Company</p>	
	<p>(c) Other disadvantages:</p> <ul style="list-style-type: none"> ● profit tax rate is higher resulting in lower distributable profits ● more requirements in setup procedures/ higher setup cost ● separation of ownership and management and thus owners may not be able to control daily operations <p><i>(2 marks for each relevant disadvantage, max. 4 marks)</i></p>	
2016Q3	<p>(a) Reasons for forming franchising:</p> <ul style="list-style-type: none"> ● expansion of the chain in Hong Kong at a lower cost ● stable income: receive franchise fees regularly and share franchisees' profits ● easy access to the Hong Kong market: franchisees are more familiar with the local business environment 	
	<p>(b) Legal factors: regulations related to restaurant licensing: e.g. Fire Services Ordinance Building Ordinance, other ordinances: e.g. the Minimum Wage Ordinance, the Employment Ordinance, etc. (2 marks for each relevant legal factor)</p> <p>Cultural factors: tastes and preferences of the target customers in Hong Kong demographic structure / population structure of Hong Kong: e.g. age, gender, race, etc. (2 marks for each relevant cultural factor, max. 2 marks)</p>	