

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Hong Kong Business Environment</b>	(i) Describe the role and importance of business in the Hong Kong economy.											
	(ii) Analyse the recent development and <b>characteristics of the Hong Kong economy.</b>											
	<i>Closer economic and business relationships with the Mainland (e.g. CEPA, trading partners, sources of capital)</i>											
	<i>Impacts of <b>globalization</b>(G) on Hong Kong business ( e.g. keen competition, international flow of capital and information, global sourcing and outsourcing, technology transfer)</i>							V				
	<i>Increasing international trade cooperation (major international trade organizations include <b>WTO</b> and <b>APEC</b>)</i>											

**2018-Q1b)** Suggest two **strategies** to Nick Limited that may lower its production cost under **globalization**. (4 marks)

- (b) Strategies:
- global sourcing
  - outsourcing of production processes
  - technology transfer/enhancement of production processes

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Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
	<p>Characteristics of Hong Kong economy:</p> <p><i>lack of primary industries, dependence on external trade, concentration on tertiary industry, free trade, simple taxation</i></p>											
	<p>(iii) Evaluate how <b>economic, technological, cultural, physical, social, political and legal factors</b> affect business decisions.</p>		V		V	V		V		V		

**2020-Q4A-a)** State one social factor and one physical factor that Warner should consider when setting up a branch in HK and explain how each factor might affect its business. (4 marks)

**2018-Q1a)** Explain one **technological** factor and one **economic** factor that Nick Limited should consider when planning to set up the online store. (4 marks)

**2016-Q3b)** Explain one **legal** factor and one **cultural** factor that Carlo should consider when setting up branches in HK. (4 marks)

**2015-Q1b)** Explain one **political** factor and one **legal** factor that may affect Annie's business. (4 marks)

**2013-Q2)** Explain three types of external factors that would affect Ken's decision on whether to set up a telephone hotline center in the Mainland. (6 marks)

**2020-Q4A-a)**

**2018-Q1a)**

- (b) Strategies:
- global sourcing
  - outsourcing of production processes
  - technology transfer/enhancement of production processes

4

2016-Q3b)

- (b)
- Legal factor: the licensing requirements (such as food license) and regulations such as minimum wages and employment ordinances
  - Cultural factor: whether customers in Hong Kong like the style of the food.

2015-Q1b)

- (b)
- Political factor:
- Political stability
- (2 marks for each relevant political factor, max. 2 marks)

- Legal factor:
- Licensing regulations
- (2 marks for each relevant legal factor, max. 2 marks)

2013-Q2)

- 2.
- Factors:
- **Technological factor**, e.g. the telecommunication network in the Mainland
  - **Physical factor**, e.g. the location in the Mainland to set up the telephone hotline centre
  - **Legal factor**, e.g. whether a business license is required to set up a telephone hotline centre in the Mainland
- (2 marks for each relevant factor, max. 6 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Forms of Business Ownership</b> Set up procedures of different forms of business ownership and related documents are not required	(i) Distinguish between the major forms of business ownership: sole proprietorship, partnership, limited company, joint-venture ( <b>J</b> ), franchise and public enterprise.	V		V	V	V	V		V	V		
	- Characteristics of <i>general, limited and nominal partners</i>	-										
	(ii) Evaluate the pros and cons of the different forms of <b>business ownership</b> .											
	(iii) Describe the characteristics of multinational corporations in Hong Kong. (MNC)								V			

**2020-Q5A-a)** Identify the form of ownership of the new business to be set up by Company A and Company B. (1 mark)

b) Explain one advantage of operating in the form of business ownership in (a) above. (2 marks)

c) Explain one difference between a partnership and the form of business ownership in a) above. (2 marks)

**2019-Q1a)** Describe the **main feature** of Pizza Deli as a **multinational corporation**. (2 marks)

b) Explain to Pizza two **disadvantages** of joining the restaurant chain as a **franchisee** instead of setting up its own branch. (4 marks)

**2017-Q1a)** What is a **joint venture**. (1 mark)

**2017-Q1b)** Outline two **advantages** of running a business in the form of a **joint venture**. (1 mark)

**2016-Q3a)** Give two reasons why Carlo should establish the branches in the form of **franchising** instead of setting up his own restaurants in HK. (4 marks)

**2015-Q5b)** According to the above information, which form of **business ownership** will John adopt for the **expansion**? (1 mark)

**2015-Q5c)** Apart from the restriction in ownership transfer, suggest two other **disadvantages** for the form of business ownership in (b), as compared to a **sole proprietorship**. (4 marks)

**2014-Q1a)** Identify the **nominal partner** in this partnership. (1 mark)

**2014-Q1b)** State two contributions that a **nominal partner** could make to a partnership. (4 marks)

**2012-Q7 a)** Give two reasons why Mary should accept Paul's invitation (partnership) instead of setting up a firm on her own. (4 marks)

## 2019-Q1a)

## QUESTION 1

Marks

- |     |  |   |
|-----|--|---|
| (a) | – operates in more than one country  | 1 |
|     | – Pizza Deli operates in Italy, London and Sydney respectively   | 1 |
| (b) | Disadvantages:   | 4 |
|     | – limited autonomy: e.g. need to follow the standards and guidelines stipulated in the franchise agreement |   |
|     | – need to pay royalties to the franchisor even when making a loss  |   |
|     | – subject to the success and failure/reputation of the franchisor  |   |
|     | (2 marks for each relevant disadvantage, max. 4 marks)   |   |

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 6 marks

## 2017-Q1a)

1. (a) Joint venture is an entity formed by two or more businesses to achieve a specific goal or to carry out a joint project.
- (b)
  - Risk can be shared among partners.
  - More capital can be raised.

## 2016-Q3a)

3.

(a)

Any two:

- It is a faster expansion with low capital required.
- Carlo can receive franchise fees regularly.
- Carlo can concentrate on the strategic developments of the business.

2015-Q5a/b)

(b)

Private limited company (1 mark)

(c)

Disadvantages:

- High profit tax rate
- High legal cost and set up cost

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

2014-Q1a)

**Part 1**

1. (a)

Patrick (1 mark)

(b)

Contributions:

- Increase the publicity of the partnership.
- Give supportive advice to the partnership

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

2012-Q7 a)

7.

(a)

Any two:

- Diversified skills and knowledge can enhance operating efficiency.
- Risk will be shared with Paul.
- Workload will be shared with Paul.

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Business Ethics and Social Responsibilities</b>	(i) Explain why and how a business should be <b>ethically responsible</b> to various stakeholders.	V		V			V					
	(ii) Describe how <b>business ethics and social responsibilities</b> affect business decisions.						V					

**2017-Q4b)** What is business ethics? (1 mark)

**2017-Q4c)** For each of the following stakeholders, illustrate with one example how John can ensure that the operation of his firm is socially responsible:

(i) employees of the firm (2 marks) (ii) residents living around the firm (2 marks)

**2014-Q5b)** If Mike decides to give away those items as planned, explain two possible adverse impacts on his business. (4 marks)

**2014-Q5c)** Apart from customers, identify another stakeholder of Mike’s business. (1 mark)

**2012-Q6 a).** Give two types of stakeholders in Peter’s business and explain the adverse effect of the closure on each of them. (4 marks)



### 1(b) Introduction to Management

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Management Functions Detailed process of MBO is not required	(i) Explain the importance of management.											
	(ii) management functions for organisations: <b>conceptual skills</b>			V								
	Planning: <i>importance, planning process and characteristics of SMART goals</i>	V			V				V			
	- Organising: <i>organisational structure – by level and by authority; departmentalisation – by function, by product, and by</i>				V		V					
	- Leading: <i>leadership styles</i>							V				
	Controlling: <i>control process</i>					V						
	(iii) Apply the following principles of <b>effective management</b> : division of work, unity of command, unity of direction, authority and responsibility, and management by objectives. <b>MBO</b>		V				V			V	V	

- 2020-Q1b)** i) State the principle of effective management adopted by High-Tech Company in the above scenario. (1 mark)  
 ii) Explain two advantages for High-Tech Company of adopting the principle of effective management in (b) (i) above. (4 marks)
- 2019-Q2b)** The above goal is not a **SMART** goal. Explain two SMART goal characteristics that are not demonstrated by this goal. (4 marks)
- 2019-Q4c)** State the principle of **effective management** adopted in the production department. (1 mark)
- 2019-Q4d)** Explain two **advantages** for the production department of adopting the principle of effective management. (4 marks)
- 2019-Q5c)** State the **principle of effective management** violated in the above case. (1 mark)
- 2019-Q5d)** If the principle of effective management above was adopted, explain two **advantages** for Au’s firm. (4 marks)
- 2018-Q4b)** State the **leadership style** adopted by Mandy. (1 mark)
- 2018-Q4b)** Explain two **advantages** of the leadership style adopted by Mandy. (4 marks)
- 2018-Q5b)** State the **principle of effective management** that has been violated in the above case. (1 mark)

**2017-Q3a)** State the form of departmentalization adopted by the two companies. (i) Company A (ii) Company B (2 marks)

**2017-Q3b)** Which of the General Managers of the two companies above has a **wider span of control** (1 mark)

**2017-Q5b)** A business consultant advised John to set goals for his firm.

b) State the **management function** that the task of setting **goals** or John's firm belongs to. (5 marks)

c) Explain two **reasons** why John should set **goals** for his firm. (4 marks)

**2016-Q4c)** A business consultant advises John to adopt **Management by Objectives** in his supermarket. **MBO**

(i) How are the **objectives** set under **Management by Objectives** in his supermarket? (1 mark)

(ii) Explain one advantage and one disadvantage of adopting **Management by Objectives** in his supermarket. (4 marks)

**2016-Q5c)** A business consultant advises John to improve the **controlling functions** of his supermarket.

(i) What is the **purpose** of **controlling** management? (1 mark)

(ii) List the **steps** in the **controlling process**. (4 marks)

**2015-Q1a)** Briefly **explain** two **characteristics** of a SMART goal that are missing from the above goal. (4 marks)

**2015-Q4a)** State the form of **departmentalization** planned by Peter. (1 mark)

**2015-Q4b)** Briefly describe two other forms of **departmentalization** that could be adopted by Peter's business. (1 mark)

**2014-Q1b)** State two contributions that a **nominal partner** could make to a partnership. (4 marks)

**2014-Q2a)** Which of the three types of **management skills** mentioned above is the most important for Daniel as the general manager? Explain (3 marks)

**2014-Q6b)** (i) Which principle of effective management has been violated in the above case? (1 mark)

**2014-Q6b)** (ii) Suggest two problems that might arise when the principle in (i) is violated. (4 marks)

**2013-Q6)** Explain three ways in which **division of work** could enhance the efficiency of a manufacturing company. (6 marks)

**2013-Q7)** (a) Name the **principle of effective management** applied in the above sales department. (1 mark)

(b) From the sales department's point of view, explain two advantages of applying the principle of effective management named in (a). (4 marks)

**2012-Q4)** List two principles of **effective communication** and give an example of each from the above email to explain why the message is not effectively communicated in this case. (4 marks)

**2012-Q7 b)** Mary finally sets up the interior design firm on her own. List two criteria for setting good **business goals** for her. Explain each with an example. (4 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Key Business Functions	(i) Describe the role and importance of the following key <b>business functions</b> : human resources management, financial management, operations management, marketing management, information management and risk management.	√		√			√					
	(ii) Explain the interrelationship and integrated nature of different business functions in solving business problems.		√									

**2017-Q3b)** Which department of Company A should be responsible or claiming **insurance compensation**? **Explain** one main role of this department in the company. (3 marks)

**2014-Q2b)** State two functions of a **marketing** department in Superfast Company. (2 marks)

**2013-Q4)** **Information** management can support the **human resources department** of a company in different ways. List three of them. (3 marks)

**2012-Q2)** In what ways could **operations management** help Mr Ho to reduce the number of defective items? Give two ways. (4 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Small and Medium Enterprises (SMEs)	(i) Describe the characteristics of <b>SMEs</b> .							V				
	(ii) Explain the importance of <b>SMEs</b> to the local economy.											
	(iii) Explain the importance / (contributions) of <b>entrepreneurship</b> in business development.							V		V		

**2020-Q1a)** Apart from providing job opportunities, state two contributions SMEs make to the economy of Hong Kong. (2 marks)

**2018-Q2a)** Apart from the number of employees, state two other characteristics of small and medium enterprises (**SME**). (4 marks)

**2018-Q2b)** With reference to the case above, explain two contributions of entrepreneurship to the development of business. (4 marks)

## 1(c) Introduction to Accounting

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Purposes and Role of Accounting</b>	(i) Explain the importance of accounting and its relevance to decision-making.											
	(ii) Describe the functions of accounting. <i>-Functions: recording, classifying, summarising &amp; communicating</i>											
	(iii) Describe the flow of the accounting cycle. <i>books of original entry, ledgers, trial balance, period-end adjustments, financial statements</i>			V		V						
<b>The Accounting Cycle</b> • Double entry system	(i) Explain the accounting equation and demonstrate how transactions affect it. - Accounting equation: $C = A - L - (R - E) - D$											
	(ii) Apply the principles of double entry (T-accounts) to the recording of business transactions in ledger. <i>(real vs nominal account)</i>			V				V	V			

**2020-Q4 (B)-b i)** Prepare the capital account and balance off the account as at 31 March 2020. (1 mark)

ii) Prepare a trial balance as at 31 March 2020. (5 marks)

**2019-Q3a)** Prepare appropriate T-accounts to record the above transactions for Chung's firm. Balancing off the accounts is not required. (4 marks)

**2019-Q3b)** Give one example for each of the following types of ledger account: (i) real account (ii) nominal account (2 marks)

**2018-Q5a)** Prepare the T-accounts in the books of Vincent's firm to record the above transactions. (5 marks)

**2016-Q1a)** Prepare the journal entry to record the above event. Narration is not required (2 marks)

**2014-Q3a)** Tony is the sole owner of a toy trading business. State the book of original entry for the recording of each of the following transactions of Tony's business: (i) Sold toys to customers on credit. ii) Received a credit note for toys returned iii) Paid salaries to office by autopay (3 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
• Trial balance	(iii) Explain the functions and limitations of a trial balance.											
	(iv) Balance off the accounts and prepare a trial balance.						V			V		

**2020-Q4 (B)-b** i) Prepare the capital account and balance off the account as at 31 March 2020. (1 mark)  
 ii) Prepare a trial balance as at 31 March 2020. (5 marks)

**2017-Q4a** Prepare for John's firm a trial balance as at 31 December 2016. (5 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<ul style="list-style-type: none"> <li>Financial statements</li> </ul>	(v) Prepare <b>income statement</b> and <b>statement of financial position (balance sheet)</b> for sole proprietorships.  <b>Calculations and entries for period-end adjustments are not required</b>				V		V	V	V	V		

**2020-Q5B** d) Prepare an income statement for the year ended 31 December 2019. (5 marks)

**2019-Q5a)** Prepare a **statement of financial position** for Au's firm as at 31 December 2018. (3 marks)

**2018-Q4a)** 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. (3 marks)

**2017-Q5a)** Prepare for John's firm an **income statement** as at 31 December 2016. (5 marks)

**2015-Q3** Prepare a **statement of financial position** for Peter's business as at 31 December 2014. (5 marks)

**2015-Q4b)** Prepare an **income statement** for John's business for the year ended 31 December 2014. (5 marks)

**2014-Q5a)** Prepare for mike the **statement of financial position** as at 31 December 2013. (5 marks)

**2014-Q6a)** Prepare an **income statement** for Sunshine Department Store for the year ended 31 December 2013. (5 marks)

**2012-Q5 a)** Prepare the **statement of financial position** for Yipr's business as at 31 December 2011 . (5 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Uses of Financial Statements	(i) Explain how information in financial statements can assist decision-making.  - Identify the users of financial statements and state their information needs									V		
	(ii) Explain the uses and limitations of financial statements.	V										

**2020-Q2a)** Explain how the bank will use the financial statements to decide whether to approve the loan. (2 marks)

**2012-Q1** Explain three limitations on the use of financial statements. (6 marks)



Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Accounting Assumptions, Principles and Conventions</b>	(i) Explain the meaning of the following: business entity, going concern, historical cost, consistency and accrual.  - Application to case scenario is required				V	V	V	*Going concern		V		

**2020-Q2b)** State an accounting principle or concept that can be applied to this case, and use this principle or concept to explain whether or not Chan's firm should change the valuation method of its non-current assets. (3 marks)

**2018-Q3b)** Explain the 'going concern assumption'. How should the non-current assets of Darwin Limited be valued as at 31 March 2018. (2 marks)

**2017-Q3b)** Explain, with a relevant accounting principle or concept, in which year the electricity of \$9500 should be recorded as an expense. (3 marks)

**2016-Q1b)** Explain, with a relevant accounting principle or concept, why records have to be made in the accounts (2 marks)

**2015-Q2a)** Explain the 'consistency principle' in accounting. (2 marks)

**2015-Q2b)** A firm bought a motor van for business use and paid \$175 000 from its bank account. The list price of the motor van was \$200 000 and a discount of \$25 000 was given by the vendor.

b) State the amount to be recorded for the motor van in the books of the firm. Explain your answer with a relevant accounting principle or concept. (3 marks)

**2013-Q3)** For each of the independent situations described below, state the accounting principle or concept that has been violated and give a brief explanation.

(a) The owner of a firm, Mr Chan, bought a pearl necklace worth \$85 000 for his wife with a firm's cheque. The bookkeeper recorded the transaction as follows:

(b) The owner of a firm, Miss Lee, bought a notebook computer of \$12 000 for office use. She heard from the dealer that its market value at that time was \$14 000. The bookkeeper recorded the transaction as follows:

**2012-Q6 a).** What is the valuation of the equipment as at 31 March 2012? Explain your answer with an appropriate accounting concept. (3 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Basic Ratio Analysis	(i) State the general functions of <b>accounting ratios</b> .											
	(ii) Calculate and interpret the following ratios: <b>working capital/current ratio, quick/liquid/acid test ratio, gross profit ratio, net profit ratio</b> and return on capital employed.	V				V			V			
	(iii) Evaluate the <b>liquidity</b> and <b>profitability</b> of a business using accounting ratios.  - <b>Proposal for remedial actions is not required</b>									V		

**2019-Q4a)** Calculate the following ratios for 2018 for Au's firm (to two decimal places):

(i) **Gross profit ratio** (1 mark) (ii) **net profit ratio** (1 mark) (iii) **return on capital employed** (2 marks)

**2019-Q4b)** Based on the return on capital employed, briefly comment on the **profitability** of Au's firm in 2018 (1 mark)

**2019-Q5b)** Based on the current ratio (to two decimal places), briefly comment on the **liquidity** of Au's firm as at 31 December 2018. (2 marks)

**2016-Q4a)** Calculate (to two decimal places) the following ratios for the year 2015 for John's supermarket:

(i) **Gross profit ratio** (1 mark) (ii) **net profit ratio** (1 mark) (iii) **return on capital employed** (3 marks)

**2016-Q4b)** Man Kee is another small supermarket in the same district. Its **gross profit ratio** and **net profit ratio** for the year 2015 are 35% and 15% respectively. Briefly comment on the **profitability** of John's supermarket for the year 2015 as compared with Man Kee. (2 marks)

**2016-Q5a)** Calculate (to two decimal places) the following ratios for the year 2015 for John's supermarket:

(i) **working capital** (1 mark) (ii) **current ratio** (1 mark) (iii) **liquid ratio** (3 marks)

**2016-Q5b)** Briefly comment on the **liquidity** of John's supermarket as at 31 December 2015. (2 marks)

**2012-Q5 a).** Calculate (to two decimal places) the **gross profit ratio** of Yip's business for 2011. (5 marks)

**1(d) Basics of Personal Financial Management**

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Time value of Money</b> not required to look up the annuity or discount factor table required	(i) Explain the concepts of compounding, discounting, present value <b>(PV)</b> and future value <b>(FV)</b> .			V								
	(ii) Apply the concepts of present value and future value to compute net present value. <b>Only simple calculation (with not more than 3 compounding periods) is</b>											
	(iii) Distinguish between nominal and effective rate of return.											

**2014-Q4a)** If the bank offers an annual interest rate of 2% for the time deposit, how much money does tom have to deposit today? (2 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Consumer Credit	(i) Compare different types of consumer credit. - Common types of consumer credit: <i>bank overdraft, credit card and personal loans</i>		V							V		
	(ii) Explain the importance of maintaining a good personal credit record.								V			

**2020-Q3(a)** What is a 'bank overdraft'? (2 marks)

**(b)** Suppose David has decided to use a credit card to pay for the furniture. Give two reasons for using his credit card instead of applying for a personal loan. (4 marks)

**2019-Q2a)** Give two factors which could affect Johnny's personal credit record.

Explain how each of the factors would affect his personal credit record. (4 marks)

**2013-Q1a)** Many people are using credit card to purchase goods and services. Explain two benefits for customers of using credit card. (4 marks)

**2013-Q1b)** Explain one reason why credit card companies are more willing to issue credit cards to applicants with good personal credit records. (2 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
<b>Personal Financial Planning and Investments</b> Numerical concepts and application are not required	(i) Identify the basic characteristics and the relationship between risk & return for the following investments: saving/term deposits, bonds/debentures and stocks. Able to explain: 1. <i>investors should expect higher risks of investments for higher return</i> 2. <i>higher risks of investments do not necessarily bring higher returns</i>	V		V								
	(ii) Explain the importance of <b>personal financial planning</b> at different life stages. <b>(Financial Needs/FN)</b>						V			V		
	(iii) Describe the rights and responsibilities of employees and self-employed persons under <b>Mandatory Provident Fund (MPF)</b> scheme.						V					

**2020-Q3(c)** List two financial needs that David has in his **present life stage**. (2 marks)

**2017-Q2a)** Explain two of Mary's financial needs after her retirement. (4 marks)

**2015-Q3** Calvin is a retail investor. He invested \$200000 to buy shares listed on the **Hong Kong Stock Exchange** through a licensed stockbroker in HK. As the broker defaulted, Calvin was not able to get back his investment. He therefore applied to the **Investor Compensation Fund** to claim the loss.

(a) **Explain** two ways in which investing in **shares** might **benefit an investor**. (4 marks)

(b) (i) In the above case, Calvin has fulfilled the **conditions** to receive compensation from the **Investor Compensation Fund**. Give any two of them. (2 marks)

(ii) What is the maximum amount of compensation that Calvin can get from the **Investor Compensation Fund**? (1 mark)

**2014-Q4b)** A friend of Tom advises him to invest the sum of money in securities for higher return. Given that Tom needs the amount three years later for the down payment on the flat, would you advise him to invest in **government bonds or ordinary shares**? Explain why? (2 marks)

**2012-Q3) a)** Briefly explain one purpose that Mr Au could achieve through investing in a **mutual fund**. (2 marks)

**2012-Q3) b)** List two less risky financial instruments with stable returns for Mr Au. (2 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
	<p>(iv) Describe the rights (<b>Ri</b>) and responsibilities (<b>Re</b>) of individual investors and consumers of financial services.</p> <ol style="list-style-type: none"> <li>1. <i>right to ask for rationale behind an investment recommendation made by a broker or bank</i></li> <li>2. <i>right to file a complaint</i></li> <li>3. <i>duty to understand the terms of a contract before signing it</i></li> <li>4. <i>duty to monitor activities on own account by checking account statements, transaction documents</i></li> </ol>						* Re					

2017-Q2b) As an investor, what responsibilities does Mary have? List any two. (2 marks)

Topics	Explanatory Notes	12	13	14	15	16	17	18	19	20	21	22
Stock Trading as an Investment	(i) Explain the factors affecting <b>share prices</b> . - Major factors include: <i>general economic condition, political factors, interest rate, industry prospects, company performance, dividend policy and speculation</i>					V		V				
	- (ii) Describe the platforms of stock trading in Hong Kong: Main Board and Growth Enterprise Market (GEM). - Knowledge about the basic listing requirements for new applicants is required: 1. <i>operating history and management</i> 2. <i>financial requirements: profit attributable to shareholders, market capitalization, revenue and cash flow (exact figures of the above are not required)</i>  <i>[Website for reference: Hong Kong Exchanges and Clearing Limited(HKEx)]</i>											
	(iii) Describe the importance of Hang Seng Index (HSI).					V						

**2018-Q3a)** (i) Explain how the 'generous dividend policy' of a listed company affect the **share price**. (2 marks)

**2018-Q3a)** (ii) Explain how the 'mainland government limits the number of visits to HK per week by its residents' affect the **share price** of a listed company. (2 marks)

**2016-Q2a)** Explain how the **share price** of a property development company in HK changes in a **booming local economy**. (3 marks)

**2016-Q2b)** Suggest two ways in which **investors** can use the **Hang Seng Index** to make investment decisions. (4 marks)

mark-up	=	$\frac{\text{gross profit}}{\text{cost of goods sold}} \times 100\%$
gross profit ratio/margin	=	$\frac{\text{gross profit}}{\text{sales}} \times 100\%$
net profit ratio/margin	=	$\frac{\text{net profit before tax}}{\text{sales}} \times 100\%$
return on capital employed	=	$\frac{\text{profit before interest and tax}}{\text{average capital employed}} \times 100\%$

Capital employed =

1. Sole proprietorships: capital balance
2. Partnerships: capital account balances + current account balances (if any)
3. Limited companies: non-current liabilities + shareholders' fund

working capital / current ratio	=	$\frac{\text{current assets}}{\text{current liabilities}} : 1$
quick / liquid ratio / acid test	=	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}} : 1$
inventory turnover (times)	=	$\frac{\text{cost of goods sold}}{\text{average inventory}}$
average trade receivables collection period	=	$\frac{\text{average trade receivables}}{\text{credit sales}} \times 365 \text{ days} / 12 \text{ months}$
average trade payables repayment period	=	$\frac{\text{average trade payables}}{\text{credit purchases}} \times 365 \text{ days} / 12 \text{ months}$
trade receivables turnover (times)	=	$\frac{\text{credit sales}}{\text{average trade receivables}}$
trade payable turnover (times)	=	$\frac{\text{credit purchases}}{\text{average trade payables}}$
earnings per share	=	$\frac{\text{net profit after tax} - \text{preference dividend}}{\text{number of ordinary shares issued}}$
total assets turnover (times)	=	$\frac{\text{sales}}{\text{total assets}}$
gearing ratio	=	$\frac{\text{non-current liabilities} + \text{preference share capital}}{\text{non-current liabilities} + \text{shareholders' fund}} \times 100\%$
dividend cover for ordinary shares (times)	=	$\frac{\text{net profit after tax} - \text{preference dividend}}{\text{ordinary dividend paid}}$
price-earnings ratio	=	$\frac{\text{current price per ordinary share}}{\text{earnings per share}}$



**Appendix 2 : Accounting Terminology**

Except for term(s) specifically identified in the question or stated in the requirement, the following alternative accounting terminology will be accepted for marking purposes in the HKDSE Business, Accounting and Financial Studies examination.

<b>Accounting Terminology Acceptable for the HKDSE BAFS Examination</b>	
<b>English</b>	<b>Chinese</b>
Statement of financial position / Balance sheet	財務狀況表 / 資產負債表
Year end / Balance sheet date / End of reporting period	年終 / 期末
Income statement / Trading and profit and loss account	損益表 / 購銷及損益帳
Net book value / Carrying amount	帳面淨值
Reducing balance method / Diminishing balance method	餘額遞減法
Depreciation based on usage / Units of production method	按使用量計算折舊
Sales / Turnover / Revenue	銷售 / 銷貨 / 收益
Cost of goods sold / Cost of sales	銷貨成本 / 銷售成本
Selling and distribution expenses / Distribution costs	銷售及運送費用
Allowance for doubtful debts / Provision for bad and doubtful debts	呆帳準備
Net profit / profit (or Net loss / loss) for the year / period	年度淨利/淨虧損
Retained profits / Retained earnings	留存利潤
Accounts receivables / Trade and other debtors	應收帳款
Accounts payables / Trade and other creditors	應付帳款
Trade receivables / Trade debtors	應收貨款
Trade payables / Trade creditors	應付貨款
Other receivables / Other debtors	其他應收帳款
Other payables / Other creditors	其他應付帳款
Inventories / Stocks	存貨
Short term investments / Current investments	短期投資
Equity / Capital and reserves	股東權益 / 資本及儲備
Total equity and liabilities / Total capital and liabilities / Shareholders' Fund and liabilities	股東權益及負債總額 / 資本及負債總額
Short term loans / Short term borrowings / Current portion of long-term borrowings	短期貸款