

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1

8.30 am – 9.45 am (1 hour 15 minutes)

This paper must be answered in English

GENERAL INSTRUCTIONS

- (1) There are **TWO** sections, A and B, in this Paper. Section A consists of multiple-choice questions and Section B contains short questions.
- (2) Answer **ALL** questions in Section A. There are two parts in Section B: Answer **ALL** questions in Part 1 and **ONE** of the two questions in Part 2.
- (3) Answers to Section A should be marked on the Multiple-choice Answer Sheet while answers to Section B should be written in the Answer Book. In the Answer Book, start **EACH** question (not part of a question) on a **NEW** page.
- (4) The Answer Sheet for Section A and the Answer Book for Section B must be handed in separately at the end of the examination.

INSTRUCTIONS FOR SECTION A (MULTIPLE-CHOICE QUESTIONS)

- (1) Read carefully the instructions on the Answer Sheet. After the announcement of the start of the examination, you should first stick a barcode label and insert the information required in the spaces provided. No extra time will be given for sticking on the barcode label after the 'Time is up' announcement.
- (2) When told to open this book, you should check that all the questions are there. Look for the words '**END OF SECTION A**' after the last question.
- (3) All questions carry equal marks.
- (4) **ANSWER ALL QUESTIONS.** You are advised to use an HB pencil to mark all the answers on the answer sheet, so that wrong marks can be completely erased with a clean rubber. You must mark the answers clearly; otherwise you will lose marks if the answers cannot be captured.
- (5) You should mark only **ONE** answer for each question. If you mark more than one answer, you will receive **NO MARKS** for that question.
- (6) No marks will be deducted for wrong answers.

Not to be taken away before the
end of the examination session

SECTION A (60 marks)

There are 30 questions in this section. Answer **ALL** questions. Choose the **best** answer for each question.

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)

2. If an investor wants to complain about the misconduct of his broker in a share transaction, which of the following organisations should he turn to?
 - A. Hong Kong Monetary Authority
 - B. Securities and Futures Commission
 - C. Hong Kong Exchanges and Clearing Limited
 - D. Investor Compensation Company Limited

3. Which of the following are benefits of being a socially responsible business?
 - (1) lower production costs
 - (2) better business reputation
 - (3) attraction of customers who are also concerned about social responsibility
 - 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 statements about the Mandatory Provident Fund (MPF) system is correct?
 - A. Self-employed persons are not required to enrol in an MPF scheme.
 - B. Employees covered by the MPF system are required to contribute 5% of their income.
 - C. Employees can choose to make extra voluntary contributions in addition to the regular mandatory contributions.
 - D. MPF scheme members can withdraw their accrued benefits when they reach the age of 60.

5. It is a firm's practice to record free samples given to customers as promotion expenses. At the year end, the owner of the firm took some free samples for his personal use. According to the _____ concept, these free samples should be treated as _____.
 - A. business entity promotion expenses
 - B. business entity drawings
 - C. consistency promotion expenses
 - D. consistency drawings

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)
7. Which of the following are participants in the financial market?
- (1) listed companies
 - (2) commercial banks
 - (3) securities brokers
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
8. Which of the following statements about credit cards are correct?
- (1) A credit limit is set.
 - (2) A minimum payment is set for the outstanding balance.
 - (3) Interest will not be charged on the remaining balance if the minimum payment is made before the due date.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
9. As at 31 December 2013, Quinton Company had current liabilities amounting to \$60 000 and its current ratio was 3:1 and quick ratio was 2:1. What was the amount of its inventory on that date?
- A. \$60 000
 - B. \$120 000
 - C. \$180 000
 - D. \$240 000
10. In the trial balance, if the total of debit balances is larger than the total of credit balances, it means that _____.
- A. there is a loss for the year
 - B. there is an error in the double entries
 - C. there is insufficient capital to run the business
 - D. the amount of total assets is larger than the total liabilities

11. A business earns a gross profit margin of 25%. Calculate its sales amount based on the following data:

Item	\$
Opening inventory	10 000
Closing inventory	4 000
Purchases	51 000
Selling expenses	1 500

- A. \$69 375
B. \$71 250
C. \$74 000
D. \$76 000
12. Which of the following statements about the securities market is/are correct?
- (1) Investors can buy and sell securities in the primary market.
(2) The secondary market comprises the listed exchanges and the over-the-counter market.
(3) A listed company may issue new shares to raise funds through the securities market.
- A. (1) only
B. (2) only
C. (2) and (3) only
D. (1), (2) and (3)
13. Elsa plans to use the net present value to decide whether to buy a piece of office equipment. Which of the following pieces of information does she need to make the decision?
- (1) cost of capital
(2) cashflows arising from the acquisition and use of the office equipment
(3) scrap value of the office equipment at the end of its useful life
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
14. What is the flow of an accounting cycle after the books of original entry?
- (1) balancing day adjustments
(2) financial statements
(3) ledgers
(4) trial balance
- A. (1) → (2) → (3) → (4)
B. (2) → (3) → (4) → (1)
C. (3) → (4) → (1) → (2)
D. (4) → (3) → (1) → (2)

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
16. On 30 December 2013, a firm bought a motor van and made a payment of \$150 000 by cheque. The van's list price was \$243 000 and a trade discount of \$15 000 was given. As at 31 December 2013, its market value had fallen to \$200 000. The van should be recorded at _____ in the statement of financial position as at 31 December 2013.
- A. \$150 000
 - B. \$200 000
 - C. \$228 000
 - D. \$243 000
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
18. How will an increase in discounts received affect the gross profit and net profit?
- | | <u>Gross profit</u> | <u>Net profit</u> |
|----|---------------------|-------------------|
| A. | unchanged | unchanged |
| B. | unchanged | increases |
| C. | increases | unchanged |
| D. | increases | increases |
19. Which of the following accounting ratios can be calculated when only the income statement is provided?
- (1) net profit ratio
 - (2) quick ratio
 - (3) return on capital employed
- A. (1) only
 - B. (2) only
 - C. (3) only
 - D. (1) and (3) only

20. _____ are external users of financial statements who focus on the liquidity and solvency of the firm.
- A. Managers
 - B. Customers
 - C. Competitors
 - D. Lenders
21. Which of the following are advantages of management by objectives (MBO)?
- (1) It reduces paper work.
 - (2) It enables better control of subordinates' work progress.
 - (3) It helps to enhance coordination between different levels.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

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.

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)
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
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

25. Conducting questionnaire surveys to understand customers' needs is a part of _____.
- operations management
 - marketing management
 - information management
 - risk management
26. An asset is classified as a current asset on the statement of financial position if it _____.
- was purchased on credit more than 12 months ago
 - was purchased in cash in the last 12 months
 - is to be sold within 12 months
 - is to be used for over 12 months
27. Which of the following financial products carries the highest investment risk?
- savings deposits
 - time deposits
 - preference shares
 - ordinary shares
28. Maintaining a good personal credit record is important because it will _____.
- lower the cost of loans
 - increase the chance of getting loans
 - increase the upper limit of 70% on mortgage loans from banks
- (1) and (2) only
 - (1) and (3) only
 - (2) and (3) only
 - (1), (2) and (3)
29. Miss Lee drew a personal cheque to pay an electricity bill for her business. Which of the following double entries for the business is correct?
- | | <u>Debit</u> | <u>Credit</u> |
|----|----------------------|---------------|
| A. | drawings | cash at bank |
| B. | drawings | capital |
| C. | electricity expenses | cash at bank |
| D. | electricity expenses | capital |
30. Which of the following statements about Asia-Pacific Economic Cooperation is correct?
- It provides loans to developing countries in the Asia-Pacific region.
 - It supports sustainable economic growth in the Asia-Pacific region.
 - It settles trade disputes among countries in the Asia-Pacific region.
 - It issues certificates of origin for products manufactured in the Asia-Pacific region.

END OF SECTION A

SECTION B (30 marks)

Part 1 (20 marks) Answer ALL questions in this part.

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)
2. Superfast Company provides software and system development services and has about 100 employees. Daniel, the owner and general manager of the firm, is a computer specialist and has involved himself heavily in the software and system development work. A business consultant advised him that as the general manager of the company, he should be aware of the relative importance of technical, conceptual and interpersonal skills. Also, the company should set up a marketing department to help reduce his workload.
- (a) Which of the three types of management skills mentioned above is the most important for Daniel as the general manager of Superfast Company? Explain why. (3 marks)
- (b) State two functions of a marketing department in Superfast Company. (2 marks)
3. (a) 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 clerks by autopay
- (3 marks)
- (b) From the accounts for recording the transactions in (a), identify one example for each of the following types of ledger accounts:
- (i) Real account
 - (ii) Nominal account
- (2 marks)

4. Tom plans to get married and buy a flat three years later. The budgeted price of the flat is \$3 000 000. The down payment will be 30% of the flat's price. To save up for the down payment, Tom decides to make a time deposit in a bank.
- (a) If the bank offers an annual interest rate of 2% for the time deposit, how much money does Tom have to deposit today? (Note: Interest is compounded annually. Correct all amounts to the nearest dollar.) (2 marks)
- (b) 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. (3 marks)

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

5. Mike sells imported tableware to restaurants. The following balances were obtained from the books of accounts as at 31 December 2013:

	\$
Accounts payables	15 000
Accounts receivables	27 000
Bank loan (repayable in March 2015)	22 000
Bank overdraft	11 000
Capital, 1 January 2013	?
Furniture and fixtures	63 000
Inventory	7 000
Net profit for the year	3 800
Rental deposit	20 000

- (a) Prepare for Mike the statement of financial position as at 31 December 2013. (5 marks)

Mike learns from a research report that the materials of some of his inventory may be harmful to people's health. He plans to give away these items as free gifts to his customers, without mentioning the potential health hazards. His wife warns him that this is an unethical practice and will adversely affect his business.

- (b) If Mike decides to give away those items as planned, explain two possible adverse impacts on his business. (4 marks)
- (c) Apart from customers, identify another stakeholder of Mike's business. (1 mark)

6. Sunshine Department Store had the following financial information for the year ended 31 December 2013:

	\$
Carriage inwards	9 000
Inventory, 1 January 2013	80 000
Inventory, 31 December 2013	60 000
Purchases	120 000
Rent and rates	48 000
Return inwards	2 000
Sales	268 000
Sundry expenses	30 000

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

Two managers of the same rank, David and Ellen, together supervise all the shop assistants. One day, an assistant in the sportswear section took sick leave and David assigned a newly employed assistant to take her place. He asked her to serve customers in the section for the rest of the day. At noon, Ellen asked this assistant to deliver a document to a supplier.

- (b) (i) What principle of effective management has been violated in the above case? (1 mark)
- (ii) Suggest two problems that might arise when the principle in (i) is violated. (4 marks)

END OF PAPER

2014-DSE
BAFS

PAPER 2B

HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION 2014

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 2B
Business Management Module

10.30 am – 12.45 pm (2 hours 15 minutes)

This paper must be answered in English

INSTRUCTIONS

- (1) There are three sections in this paper.
- (2) All questions in Sections A and B are compulsory. You are required to answer one of the two questions in Section C.
- (3) Write your answers in the answer book. Start **each** question (not part of a question) on a **new page**.

Not to be taken away before the
end of the examination session

SECTION A (24 marks)

Answer **ALL** questions in this section.

1. Explain two types of insurance that a restaurant should take out. (4 marks)

2. (a) With a diagram, show how the Economic Order Quantity of a product is determined. (2 marks)
(b) The following data relate to a product:
Annual demand: 7200 units
Lead time: 8 days

Assuming there are 360 days in a year and no safety stock is kept, calculate the re-order level of the product. Show your calculations. (2 marks)

3. Briefly explain the three basic elements of Vroom's Expectancy Theory. (6 marks)

4. Briefly describe three sampling techniques that can be used in marketing research. (6 marks)

5. Describe two differences between the skimming pricing strategy and the penetration pricing strategy when launching a new product. (4 marks)

SECTION B (36 marks)

Answer **ALL** questions in this section.

6. Grassland is a major wholesaler in Hong Kong which sells bedding products to department stores and specialty stores.

At a regular meeting, Ricky, the Marketing Manager, said, 'Since we are facing keen competition and aggressive competitors, we have to put in more effort to keep a close and long-term relationship with retailers so that our business can be maintained. We should devise some measures to encourage retailers to carry more of our products. It is equally important to improve and increase the variety of our products. But this depends on whether our merchandisers can source high-quality suppliers and negotiate the best possible terms with them.'

Steven, the Human Resources Manager, responded, 'We may have to change our existing policy of across-the-board salary increment for all merchandisers. To motivate them to perform better, we may consider linking the increment with their individual performance. We would then have to keep track of their performance, but the existing performance appraisal does not have a formal procedure for this. We need to set up a formal performance appraisal system to assess their individual performance more accurately. At the same time, we should provide them with specific training and development programmes to equip them with better sourcing and negotiation skills.'

Thompson, the Finance Manager, said, 'We will need extra funds for the training programme and the development of the performance appraisal system. The recent financial report reveals that our cash position is tight. I think there are some problems with our cash conversion cycle and we must improve our cash flows by managing the working capital more effectively.'

- (a) Apart from maintaining a good relationship with retailers, suggest two ways in which Grassland can encourage retailers to carry more of its products. (4 marks)
- (b) Explain two performance appraisal methods that can be adopted by Grassland to assess the performance of the merchandisers. (4 marks)
- (c) Grassland has identified the training needs of its merchandisers. Describe three of the remaining steps that it should take in the training process. (6 marks)
- (d) From the perspective of working capital management, suggest two ways in which Grassland can improve its cash flows. (4 marks)

(Total: 18 marks)

7. Petal Airways is a listed airline company in Hong Kong. The company carries passengers to more than 40 countries. Its high-quality service is respected worldwide.

In a management meeting, Andy, CEO of the company, said, 'Nowadays, more and more customers like to patronise budget airlines. As budget airlines account for only 5% of the aviation market in Hong Kong, this segment has good potential. We may set up a budget airline with a new brand to capture this business opportunity.'

Billy, the Marketing Director, replied, 'That's a good idea! A budget airline can make long-haul travel accessible to young people who have a low income but like to travel abroad during their vacation. Apart from individual consumers, we may also serve business customers as some firms which transport cargo to overseas countries frequently would like to lower their costs. Of course, we have to take note of the differences between the consumer market and the business market. Above all, we must master the key to the success of a budget airline, that is, making profit by keeping costs low. It may be helpful to adopt e-marketing strategies to achieve this purpose.'

Carol, the Finance Director, had reservations and said, 'Establishing a budget airline involves at least \$100 million. The largest capital expenditure item is the purchase of planes. Almost all our retained earnings have been used up, so I'm afraid our company does not have enough funds to buy planes.'

Andy replied confidently, 'Don't worry! The interest rate is now very low. We can take out a short-term loan to purchase the planes. Given our good relationship with banks over the years, they would be very willing to grant such a loan to us. More importantly, the risk to the airline business is higher than many other industries. We have to manage our risks well while keeping our costs low.'

- (a) Using the budget airline market as an example, explain three differences in buying behaviour between the consumer market and the business market. (6 marks)
- (b) Apart from lower cost, explain two benefits to the budget airline of adopting e-marketing strategies. (4 marks)
- (c) What are the problems if Petal Airways finances the purchase of planes for the budget airline with a short-term loan? Describe two of them. (4 marks)
- (d) With reference to any two types of macro-environmental factors, explain why the risk to the airline business is higher than many other industries. (4 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in this section.

8. The retail industry in Hong Kong has been facing many challenges, including a shortage of salespersons and rising rentals.

(a) With reference to four human resources management functions, suggest ways in which a jewellery retail chain can cope with the shortage of salespersons. (10 marks)

(b) The jewellery retail chain is going to open a new shop. It is considering whether to buy or rent the shop premises. Describe the various capital investment appraisal methods that can be used to evaluate this decision. (10 marks)

(Total: 20 marks)

9. The market for beauty and skin care services in Hong Kong is expanding but there are also a lot of customer complaints. Consumers are becoming more careful when buying beauty and skin care services. Beauty centres have to pay more attention to the rights of consumers.

(a) Using the purchase of beauty and skin care services as an example, describe the steps in the consumer buying decision process. (10 marks)

(b) Explain how a beauty centre could satisfy its customers with respect to four consumer rights. (10 marks)

(Total: 20 marks)

END OF PAPER

2014

Marking Schemes

This document was prepared for markers' reference. It should not be regarded as a set of model answers. Candidates and teachers who were not involved in the marking process are advised to interpret its content with care.

PAPER 1 Compulsory Part

SECTION A

Question No.	Key	Question No.	Key
1.	A (83%)	16.	C (52%)
2.	B (56%)	17.	B (74%)
3.	C (91%)	18.	B (74%)
4.	C (41%)	19.	A (75%)
5.	B (82%)	20.	D (80%)
6.	C (44%)	21.	C (90%)
7.	D (78%)	22.	A (75%)
8.	A (57%)	23.	A (64%)
9.	A (76%)	24.	D (72%)
10.	B (80%)	25.	B (73%)
11.	D (62%)	26.	C (60%)
12.	C (57%)	27.	D (78%)
13.	D (58%)	28.	A (52%)
14.	C (85%)	29.	D (68%)
15.	A (71%)	30.	B (54%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

SECTION B

General Principles of Marking

- The answers given in this marking scheme and those brought up in light of live scripts and discussions at the Markers' Meeting are 'suggestions' only. There are answers that are not mentioned but nevertheless are equally valid.
- Where the number of points required is specified in a question, the first listed points will be marked up to the number required, and other points crossed out as 'excess'.
- The guidelines for points of 2 marks each are as follows:
 - 0 mark : irrelevant or ambiguous answers
 - 1 mark : relevant phrases containing key words that answer the question
 - 2 marks : a relevant answer with a brief explanation of the concept/key words stated

7014

PART 1

QUESTION 1

Marks

- (a) Nominal partner: Patrick
- (b) Contributions:
- provide professional advice
 - enhance reputation of the business
 - strengthen business linkages
- (2 marks for each relevant contribution, max. 4 marks)

1

Max. 4

5 marks

QUESTION 2

Marks

- (a) Conceptual skill
- A general manager should possess the ability to think creatively and to analyse and understand complicated and abstract ideas in order to perform management functions such as planning and organising
- (b) Functions:
- identify and/or create market opportunities
 - determine market position
 - select target market
 - formulate and evaluate marketing strategies (4Ps)
 - implement and monitor marketing activities
 - manage customer relationship
- (1 mark for each relevant function, max. 2 marks)

1

2

Max. 2

5 marks

QUESTION 3

Marks

- (a) Books of original entry:
- (i) Sales Day Book / Sales Journal
 - (ii) Return Outwards Day Book / Return Outwards Journal
 - (iii) Cash Book
- (b) (i) Real account:
- Cash at bank, trade receivables, trade payables
- (1 mark for each relevant example, max. 1 mark)
- (ii) Nominal account:
- sales, return outwards, office salaries
- (1 mark for each relevant example, max. 1 mark)

1

1

1

Max. 1

Max. 1

5 marks

2014

QUESTION 4

Marks

- (a) Present value = $(\$3\,000\,000 \times 30\%) / (1.02)^3 = \underline{\underline{\sim \$848\,090}}$ 2
- (b) Government bonds 1
 Lower investment risk with higher certainty of achieving the required amount: 1
 - Tom will receive fixed income during the 3 years to achieve the target return Max. 1
 - Tom will get back the principal if he buys a bond that will mature in 3 years
 - dividends of ordinary shares are not obligatory and may vary between years and hence the target return cannot be guaranteed
 - share prices fluctuate and Tom may incur capital loss when the shares are sold three years later
 (1 mark for any relevant point, max. 1 mark)

5 marks

PART 2

QUESTION 5

Marks

- (a) **Mike**
 Statement of financial position as at 31 December 2013 ½

Non-current assets	\$	\$	
Furniture and fixtures		63 000	½
Current assets			
Inventory	7 000		½
Rental deposit	20 000		½
Accounts receivable	27 000	54 000	½
TOTAL ASSETS		<u>117 000</u>	
Capital, 1 January 2013 (<i>balancing figure</i>)		65 200	½
Add: Net profit		<u>3 800</u>	½
		69 000	
Non-current liabilities			
Bank loan		22 000	½
Current liabilities			
Accounts payable	15 000		½
Bank overdraft	11 000	26 000	½
TOTAL CAPITAL AND LIABILITIES		<u>117 000</u>	(5)

- (b) Adverse impacts: Max. 4
 - unethical practice will harm the reputation of Mike's business
 - customers lose confidence and sales and prospects will be affected
 - affected customers may claim compensation from Mike
 (2 marks for each relevant adverse impact, max. 4 marks)
- (c) Stakeholder: Max. 1
 - employees, suppliers/creditors, distributors, government, public
 (1 mark for each relevant stakeholder, max. 1 mark)

10 marks

2014

QUESTION 6

Marks

(a)	Sunshine Department Store		
	Income statement for the year ended 31 December 2013		
	\$	\$	
Sales		268 000	½
Less : Return inwards		<u>2 000</u>	½
Net sales		266 000	
Less : <u>Cost of goods sold</u>			
Opening inventory	80 000		½
Add: Purchases	120 000		½
Carriage inwards	<u>9 000</u>		½
	209 000		
Less: Closing inventory	<u>60 000</u>	<u>149 000</u>	½
Gross profit		117 000	
Less: <u>Expenses</u>			
Rent and rates	48 000		½
Sundry expenses	<u>30 000</u>	<u>78 000</u>	½
Net profit		<u>39 000</u>	½

(5)

(b) (i) Unity of command

1

(ii) Problems:

Max. 4

- contradictory instructions will cause confusion to the subordinates
- unclear chain-of-command / line of authority will cause conflicts between the managers

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

10 marks

END OF PAPER 1

2014

PAPER 2B
Business Management Module

General Principles of Marking

1. The answers given in this marking scheme and those brought up in light of live scripts and discussions at the Markers' Meeting are 'suggestions' only. There are answers that are not mentioned but nevertheless are equally valid.
2. Where the number of points required is specified in a question, the first listed points will be marked up to the number required, and other points crossed out as 'excess'. Otherwise, a candidate may get the full mark of a part/question by scoring from a number of relevant points.
3. The general guidelines for points which are awarded 0 to 3 marks each are as follows:
0 mark : irrelevant or ambiguous answers
1 mark : relevant phrases containing key words that answer the question
2 / 3 marks : a relevant point of answer with a brief explanation of the concept/key words and/or illustration of how it is related to the given scenario

SECTION A

QUESTION 1

Marks

Types of insurance:

4

- Public liability insurance: to cover compensation for customers' injuries inside the restaurant
 - Fidelity insurance: to cover losses arising from employees' dishonesty such as fraud, forgery, and embezzlement
 - Employees' compensation insurance: to cover compensation for employees' injuries
 - Comprehensive insurance: to cover losses on fire and theft losses, etc
- (2 marks for each relevant type, max. 4 marks)

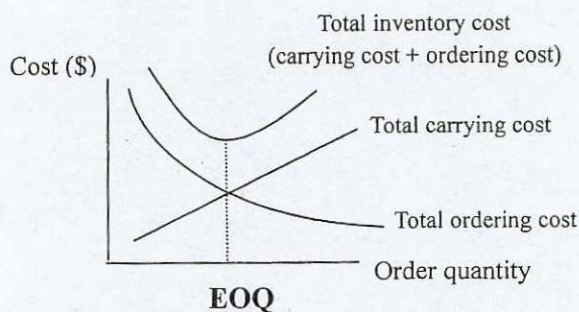
4 marks

QUESTION 2

Marks

(a) Economic order quantity:

2



(b) Re-order level:
 $(7200/360) \times 8 = 160$ units

2

4 marks

2014

QUESTION 3

Marks

Elements:

6

- Expectancy (effort-performance expectancy): an employee's belief that working hard will lead to better job performance
 - Instrumentality (performance-reward expectancy): an employee's belief that there is a link between good performance and rewards
 - Valence: the value that an employee places on work-related outcomes or rewards
- (2 marks for each relevant element, max. 6 marks)

6 marks

QUESTION 4

Marks

Sampling techniques:

6

- Random sampling: every member of the population has equal chance of being selected
 - Convenience sampling: subjects are selected from the population because of their convenient accessibility
 - Stratified random sampling: the population is divided into mutually exclusive groups and random samples are drawn from each group
- (2 marks for each relevant technique, max. 6 marks)

6 marks

QUESTION 5

Marks

Differences:

4

	Skimming pricing strategy	Penetration pricing strategy
Initial condition	- For customers of low price sensitivity	- For price-sensitive customers
Initial price	- Highest possible price	- Relatively low price
Initial objective	- To maximise short-term profit through higher margins	- To capture market share instantly

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

4 marks

2014

SECTION B

QUESTION 6

Marks

- (a) Ways: 4
- Better credit terms
 - Monetary incentives e.g. bulk purchase discount, cash rebate
 - Advertising and promotional allowance
 - Alliance with store chains
 - Non-pecuniary rewards e.g. awards in competition
- (2 marks for each relevant way, max. 4 marks)
- (b) Methods: 4
- Critical incident: record events of effective work behaviour or serious mistakes
 - Management by objectives: set targets by both merchandiser and his/her superior, and evaluate against the targets after a certain period
 - Graphic rating scale: evaluate different levels of performance according to certain attributes or characteristics (e.g. cooperativeness)
 - Ranking: rank the merchandisers' performance
- (2 marks for each relevant method, max. 4 marks)
- (c) Steps: 6
- Set training objectives (e.g. To enhance product knowledge and the ability to formulate appropriate negotiation strategies to deal with different types of suppliers)
 - Design suitable training methods (e.g. mentoring and role-play)
 - Implementation (e.g. logistics arrangements, recruit trainers)
 - Evaluation (e.g. measure changes in work behaviour)
- (2 marks for each relevant step, max. 6 marks)
- (d) Ways: 4
- Use marketing tactics to speed up the stock turnover
 - Tighten up or revise the credit policy such as shortening the credit period to push for early repayment
 - Delay payment to trade creditors
- (2 marks for each relevant way, max. 4 marks)

18 marks

204

QUESTION 7

Marks

(a) Differences:

6

	Consumer Market	Business Market
Buying decision	– Relatively simpler personal decisions	– Formalised procedure / more participants / professional buyers
Nature of demand	– Direct consumption (e.g. travel during vacation) – Relatively less frequent purchases and/or smaller amounts	– Derived demand (for transporting goods to overseas customers) – Relatively more frequent purchases and/or larger amounts
Relationship between buyer and seller	– Less likely to maintain long-term relationship with airlines	– Usually maintain long-term relationship (e.g. enter into long-term contract) with airlines
Price sensitivity of buyers	– Relatively more sensitive	– Relatively less sensitive

(2 marks for each relevant difference, max. 6 marks)

(b) Benefits:

4

- Promotion: e.g. advertisement pops on website; solicit customers' consent to send promotional information; cross-selling
- Service availability: round-the-clock operations
- Administrative efficiency: issue e-ticket / boarding pass online
- Increased sales: e.g. may set lower price through savings in commissions
- Customer relationship: e.g. allows interaction to improve communication; may collect customers' feedback more easily

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

(c) Problems:

4

- violates the matching principle – non-current assets should be financed by long-term funds
- may not be able to renew the loan
- interest rate may be higher when the loan is renewed

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

(d) Macro-environmental factors:

4

- Physical: e.g. vulnerable to a wide range of weather conditions
- Political-legal: e.g. subject to changes in immigration regulations of various countries
- Technological: e.g. technical faults and accidents could be costly
- Economic: e.g. vacation travels decrease substantially during economic downturn

(2 marks for each relevant type of factors, max. 4 marks)

18 marks

Daly

SECTION C

QUESTION 8

Marks

(a) Ways:

10

- Manpower planning: e.g. online shopping to reduce manpower need
- Compensation: revise the total compensation package to make it more attractive, e.g. more breaks
- Recruitment: e.g. open up more recruitment channels; use incentive to attract referrals
- Performance management: e.g. set fair and clear performance standards to reduce turnover rate
- Training and development: offer systematic training and attractive training allowance; set promising career development plan
- Employee relations: maintain harmonious work relationships; build up a good employer brand

(3 marks for each way under a relevant HRM function, max. 10 marks)

(b) Investment appraisal methods:

10

- Payback period: evaluate the number of years required to recover the investment
- Net present value: use discounted cash flows to assess whether the project brings an increase in net worth
- Internal rate of return: use discounted cash flows to ascertain a rate at which NPV is zero
- Accounting rate of return: use accounting approach to calculate the return rate of the project

(3 marks for each relevant method, max. 10 marks)

20 marks

2014

QUESTION 9

Marks

(a) Steps:

10

1. Need recognition / stimulus: e.g. to improve skin quality; to seek a better outlook on an important occasion
2. Information search: e.g. personal sources such as friends and relatives; commercial sources such as advertisements or salespeople
3. Formulate and evaluate alternatives: e.g. comparison of price, reputation and service quality, etc.
4. Purchase decision: e.g. decides on which beauty centre to patronise according to evaluation results (if no disrupting factors arise)
5. Post-purchase behaviour: e.g. patronise again if the service matches expectation; switch to another beauty centre or lodge complaints if the service falls below expectation

(2 marks for each relevant step in correct sequence, max. 10 marks)

(b) Consumer rights:

10

- Right to safety: e.g. equipment should be well maintained; therapists should be well trained
- Right to be informed: e.g. customers should be informed about the qualifications of the beauty therapists and any possible side-effects of the therapies
- Right to choose: e.g. provide a variety of beauty services for customers so that they can choose the kinds of service that can meet their needs
- Right to be heard: e.g. beauty centres should provide channels such as customer service hotline for customers to express their dissatisfaction
- Right to redress: e.g. beauty centres should provide fair settlement of just claims, including compensation for unsatisfactory services or misrepresentation

(3 marks for each relevant right, max. 10 marks)

20 marks

END OF PAPER 2B