

香港中學文憑考試

Hong Kong Diploma of Secondary Education Examination

Business, Accounting and Financial Studies

2016 Question Papers

(with marking schemes and comments on candidates' performance)



香港考試及評核局
Hong Kong
Examinations and
Assessment Authority

There will be three sections as follows:

	Paper 2A (Accounting module)	Paper 2B (Business management module)	Remarks
Section A (24 marks)	3 – 4 short questions	4 – 5 short questions	All questions are compulsory.
Section B (36 marks)	2 – 3 application problems	2 case studies	
Section C (20 marks)	Case/Theory questions	Essay questions	Candidates are required to answer one out of two questions.

Candidates are expected to be aware of the impact of standards issued by the Hong Kong Institute of Certified Public Accountants upon the accounting definitions and treatments covered by this curriculum. Standards newly issued or revised before *1 September 2013* are applicable to the examination.

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 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)
2. Which of the following are the characteristics of a flat organisation as opposed to a tall organisation?
- (1) wider span of control
 - (2) fewer levels of management
 - (3) shorter decision-making process
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
3. In a company with departmentalisation by geographical location,
- A. departmental offices are set up in the regions which the department oversees.
 - B. departmental managers are responsible for business operations in the regions which the department oversees.
 - C. departmental outlets only sell goods produced in the regions which the department oversees.
 - D. departmental staff is only recruited from the regions which the department oversees.
4. Anna has just retired at the age 65 and has received a substantial amount from a provident fund. She plans to invest the money to get some returns but is not willing to take high risks. Which of the following financial instruments is the least suitable for her?
- A. term deposits
 - B. saving deposits
 - C. iBond
 - D. shares
5. Sunny, who maintains a good credit record, is a customer of Mary's business. For the year ended 31 December 2015, Mary sold goods for \$8000 on credit to Sunny. Sunny fully settled the debt in January 2016. According to the _____ (1) _____, Mary should record this transaction as sales for the year _____ (2) _____.
- | | | | |
|----|--------------------------|-----|------|
| A. | accrual concept | (1) | (2) |
| B. | accrual concept | | 2015 |
| C. | going concern assumption | | 2016 |
| D. | going concern assumption | | 2015 |
| | | | 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.
7. Under which of the following circumstances should autocratic leadership be adopted by management?
- (1) Subordinates are only responsible for repetitive and simple jobs.
 - (2) Subordinates are willing to take responsibility.
 - (3) The company always needs to make quick decisions.
- A. (1) only
 - B. (1) and (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
8. The front-line manager is responsible for
- (1) making strategic decisions.
 - (2) monitoring the daily operations of the business.
 - (3) formulating corporate policies and directions.
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
9. A credit card user
- (1) can buy goods and services overseas with a credit card issued in Hong Kong.
 - (2) can settle the whole outstanding balance of the statement by the due date in order to avoid interest charges.
 - (3) can enjoy a lower interest rate to settle the overdue credit card balance than for a personal loan.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
10. Which of the following statements about “division of work” are correct?
- (1) It facilitates automation of production.
 - (2) It makes it easier for managers to supervise the production process.
 - (3) It makes it easier for workers to master the production process they are responsible for.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

11. Which of the following accounts must have balances on the debit side of a trial balance?
- (1) bank charges
 - (2) bank loan
 - (3) bank
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
12. Which of the following would affect the calculation of cost of goods sold?
- A. rental expenses for the office
 - B. carriage expenses for the delivery of goods to customers
 - C. discounts given by suppliers for purchasing a large quantity of goods
 - D. discounts given by suppliers for early settlement of outstanding balances
13. Which of the following statements about non-current assets is correct?
- A. Their cost of purchases exceeds \$100 000.
 - B. They are used for the operations of the business.
 - C. Their balances are presented in the income statement.
 - D. Accounts receivable is a non-current asset.
14. A bank offers a saving plan which requires an initial deposit of \$100 000. The plan generates the following cash flows at the end of subsequent years:
- | | \$ |
|--------|--------|
| Year 1 | 20 000 |
| Year 2 | 35 000 |
| Year 3 | 55 000 |
- Given a discount rate of 5% p.a., what is the net present value of the saving plan?
- A. \$10 000
 - B. \$9523.81
 - C. \$4761.90
 - D. -\$1695.28
15. Which of the following companies is/are socially responsible?
- (1) A power company which develops new technology to help reduce gas emissions.
 - (2) A printing company which accepts many orders from social welfare organisations.
 - (3) A trading company which encourages employees to participate in voluntary work to serve the community.
- A. (1) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

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)
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.
18. Which of the following double entries are correct?
- | | <u>Transaction</u> | <u>Account to be debited</u> | <u>Account to be credited</u> |
|-----|--------------------------------------|------------------------------|-------------------------------|
| (1) | Returned goods to suppliers | Purchases | Returns outwards |
| (2) | Deposited cash into the bank account | Bank | Cash |
| (3) | Sold goods to customers on credit | Trade receivables | Sales |
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
19. Peter wants to deposit \$500 000 in a bank for half a year. The bank offers him the following saving plans. Which plan offers the highest return?
- A. a lump sum interest of \$6000 at the end of half a year
 - B. an interest rate of 2.4% p.a., compounding quarterly
 - C. an interest rate of 2.4% p.a., compounding half-yearly
 - D. an interest rate of 2.4% p.a., compounding annually
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)

21. Which of the following should be recorded on the credit side of the respective accounts?

	<u>Account</u>
(1) Decrease in capital	Capital
(2) Increase in trade payables	Trade payables
(3) Decrease in cash at bank	Bank

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

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)

23. On 1 January 2015, Mr Lee set up a firm with cash of \$100 000. On the same day, the firm took out a loan of \$200 000 from a bank. At the end of that year, total assets and total liabilities of the firm were \$980 000 and \$560 000 respectively. During the year, Mr Lee made regular cash drawings of \$5000 per month.

What is the net profit of the firm for the year 2015?

- A. \$180 000
- B. \$260 000
- C. \$325 000
- D. \$380 000

24. Which of the following statements about "unity of command" is correct?

- A. Each manager takes up one project only.
- B. Each subordinate directly reports to one supervisor only.
- C. All employees are working towards the same goals.
- D. All employees receive the same instructions when assigned the same tasks.

25. Simon is a self-employed fashion designer. He

- (1) has the right not to enrol into an Mandatory Provident Fund (MPF) scheme.
- (2) has the right to make voluntary contributions to the MPF scheme.
- (3) has the right to withdraw his accrued benefits from the MPF scheme before reaching the age 65 if he migrates to another country.

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

26. Which of the following is **not** the main use of a company's financial statements for the respective users?
- | <u>User</u> | <u>Main use</u> |
|--------------------|--|
| A. managers | to formulate company's development strategies |
| B. employees | to assess their remuneration level and job security |
| C. government | to assess company's ability to repay tax |
| D. trade creditors | to decide whether to sell goods to the company on credit |
27. Compared with the Main Board's basic listing requirements,
 - the operating history requirement for Growth Enterprise Market applicants is (1).
 - the market capitalisation requirement for Growth Enterprise Market applicants is (2).
- | | <u>(1)</u> | <u>(2)</u> |
|----|------------|------------|
| A. | looser | stricter |
| B. | stricter | looser |
| C. | stricter | stricter |
| D. | looser | looser |
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

Based on the following information, answer Questions 29 and 30.

The following account balances as at 31 December 2015 were extracted from the books of a firm:

	Dr	Cr
	\$	\$
Purchases	75 000	
Returns inwards and returns outwards	5 000	3 000
Discounts allowed and discounts received	3 500	2 000
Inventory as at 1 January 2015	15 000	
Electricity	10 000	
Wages and salaries	36 500	

29. Given that the inventory as at 31 December 2015 was \$27 000, what was the cost of goods sold for the year ended 31 December 2015?
- A. \$54 500
 B. \$58 000
 C. \$60 000
 D. \$63 000
30. Given that the net profit for the year ended 31 December 2015 was \$9000, what was the gross profit for the year?
- A. \$59 000
 B. \$57 000
 C. \$54 000
 D. \$53 500

END OF SECTION A

SECTION B (30 marks)

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

1. Annie runs a shop selling bicycles. One day, Annie took one of the bicycles home for her son's use. The cost and selling price of the bicycle are \$500 and \$980 respectively.
 - (a) Prepare the journal entry to record the above event. Narration is not required. (2 marks)
 - (b) Explain, with a relevant accounting principle or concept, why records have to be made in the accounts, as in (a) above. (3 marks)

2.
 - (a) Explain how the share price of a property development company in Hong Kong changes in a booming local economy. (3 marks)
 - (b) Suggest two ways in which investors can use the Hang Seng Index to make investment decisions. (4 marks)

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)

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

Based on the following information, answer either Question 4 or 5.

John runs a small supermarket. Its financial statements for the year 2015 are given below:

Income Statement for the year ended 31 December 2015	
	\$
Sales	100 000
Less: Cost of goods sold	<u>60 000</u>
Gross profit	40 000
Less: General expenses	<u>30 000</u>
Net profit	<u><u>10 000</u></u>

Statement of financial position as at 31 December 2015		
	\$	\$
Non-current assets		20 000
Current assets		
Inventory	34 000	
Cash	<u>6 000</u>	
	40 000	
Less: Current liabilities		
Trade payables	<u>30 000</u>	<u>10 000</u>
		<u><u>30 000</u></u>
Capital, 1 January 2015		37 000
Add: Net profit		<u>10 000</u>
		47 000
Less: Drawings		<u>17 000</u>
		<u><u>30 000</u></u>

Answer ONE question.

4. (a) Calculate (to two decimal places) the following ratios for the year 2015 for John's supermarket:
- (i) Gross profit ratio
 - (ii) Net profit ratio
 - (iii) Return on capital employed
- (3 marks)
- (b) 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)

A business consultant advises John to adopt Management by Objectives in his supermarket.

- (c) (i) How are objectives set under Management by Objectives in John's supermarket? (1 mark)
- (ii) Explain one advantage and one disadvantage of adopting Management by Objectives in John's supermarket. (4 marks)

(Total: 10 marks)

5. (a) Calculate (to two decimal places) the following for the year 2015 for John's supermarket:
- (i) Working capital
 - (ii) Current ratio
 - (iii) Liquid ratio
- (3 marks)
- (b) Briefly comment on the liquidity of John's supermarket as at 31 December 2015. (2 marks)

A business consultant advises John to improve the controlling functions of his supermarket.

- (c) (i) What is the purpose of controlling in management? (1 mark)
- (ii) List the steps in the controlling process. (4 marks)

(Total: 10 marks)

END OF PAPER

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. Outline two limitations of using accounting ratios to assess the performance of a company. (4 marks)

2. With reference to Herzberg's Dual-factor Theory, suggest two factors that can lead to job satisfaction for designers in a fashion company. Illustrate your answer with an example of each. (4 marks)

3. Explain three benefits to a company of adopting a direct distribution channel for its products. (6 marks)

4. Briefly describe two objectives for a company of appraising the performance of its salespeople. (4 marks)

5. (a) Budgeting is an important financial function in a company. Explain two purposes of budgeting. (4 marks)

(b) List two causes of a favourable sales variance. (2 marks)

SECTION B (36 marks)

Answer ALL questions in this section.

6. Ming Kee is a small Hong Kong supermarket chain established fifteen years ago. Owing to keen competition and rising costs, the chain has not been able to earn very good profits recently. Sometimes, there are also problems maintaining good liquidity. Paul, the Managing Director, called a meeting to discuss ways to deal with the current situation.

David, the Finance Manager reported, "Although all our sales are in cash, we are still having a liquidity problem. This may be due to slower inventory turnover for a lot of items and our inventory turnover ratio is below the industrial average. Take beverages as an example, the past sales records show that our chain sold 500 boxes each month. We currently order 600 boxes each time. The ordering cost is \$5625 per order and the average holding cost per box is \$10 per month. To improve the situation, I suggest using the Economic Order Quantity model to reduce the inventory costs. We should also put more effort into marketing to speed up the turnover of the slow-moving stock."

George, the Marketing Manager responded, "Sure, we will have more promotions to stimulate the sales of the slow-moving stock. I also believe that the 'online to offline' (O2O) trend will bring us more opportunities. We can develop an online shopping platform for customers to make purchases online and then they can pick up the goods they ordered in our stores. When the customers get their goods in our supermarkets, they may buy other goods as well. Also, a much larger variety of goods can be displayed on the online shopping platform and customers can shop without time constraints. This project looks feasible and should have a quick payback that won't worsen our liquidity."

David raised a concern, commenting, "The project idea sounds good but we should use the Net Present Value method for a more accurate evaluation of the investment."

Paul considered the project to be promising and asked the managers to start the project.

- (a) (i) Using the Economic Order Quantity model, calculate the optimal order quantity of beverages (in boxes) for Ming Kee. Show your workings. (2 marks)
- (ii) Based on the optimal order quantity calculated in (a) (i), state which inventory cost component contributes to the reduction in total inventory cost. Explain why. (2 marks)
- (b) From the perspective of cash management, suggest two ways to cope with Ming Kee's liquidity problem. (4 marks)
- (c) Give two reasons for using the Net Present Value method instead of the Payback method to evaluate the online shopping project. (4 marks)
- (d) Suggest three non-financial problems that may arise if Ming Kee launches the online shopping project. (6 marks)

(Total: 18 marks)

7. Centralwash is a company providing dishware cleaning and sanitising services to restaurants in Hong Kong. It has advanced dishwashing equipment to help restaurants maintain food safety, boost operational efficiency and minimise costs.

The company picks up dishware from restaurants, cleans and sanitises the dishware, and delivers it back to its customers. After operating for years, the company has gained a reputation in the industry. However, the sales growth of the industry recently started to slow down.

In a management meeting, Peter, the Managing Director, said, "I note that many competitors have been entering the market recently. Some weaker competitors have been forced to drop out of the market. Price competition is popular. We have to find some ways to enhance our competitiveness and maintain our profits. In order to understand more about the needs of our customers, we can collect some secondary data for analysis."

Billy, the Marketing Manager, responded, "I think secondary data may not be useful to us."

Daisy, the Human Resources Manager, commented, "We are now employing a team of salespeople to sell our service to target customers. The company could provide off-the-job training to them so as to improve their job skills and hence increase the success rate of personal selling."

Billy agreed and said, "I am pretty sure that the industry is at the maturity stage of the product life cycle. Besides enhancing the effectiveness of personal selling, we could launch more promotions to attract new customers."

Peter added, "We are also facing the problem of frequent damage to dishware, which may bring losses to us. Would it be possible to insure against this risk?"

Mary, the Finance Manager, responded, "I am afraid that this risk may not be insurable."

- (a) (i) What is secondary data? (1 mark)
- (ii) Give two limitations of using secondary data to help Centralwash understand the needs of its customers. (2 marks)
- (b) Give three pieces of evidence from the case to support Billy's view that the dishware cleaning and sanitising industry is at the maturity stage of the product life cycle. (3 marks)
- (c) Suggest three off-the-job training methods and state how each of them can help the sales team of Centralwash increase the success rate of personal selling. (6 marks)
- (d) (i) Give a reason why the risk of frequent damage to dishware is non-insurable. (2 marks)
- (ii) Suggest two risk management strategies Centralwash could adopt to deal with the risk in (d) (i) above. (4 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in this section.

8. A fast food chain is going to set up a new branch and is considering hiring shop supervisor for the branch through internal recruitment. At the same time, in order to fulfil corporate social responsibility, the chain is planning to hire people with mild mental and physical disabilities for the branch.

(a) Describe the advantages of hiring shop supervisor through internal recruitment. (8 marks)

(b) With reference to the functions of human resources management, suggest support measures that the chain could provide to employees with mild mental and physical disabilities. (12 marks)

(Total: 20 marks)

9. A smartphone manufacturer has developed a new mobile phone model and is considering setting a price for the new mobile phone. It is also planning to analyse the purchase decision-making process of its customers in order to launch the product successfully.

(a) Describe the factors to be considered by the smartphone manufacturer when setting the price for its new mobile phone. (8 marks)

(b) With reference to the purchase decision-making process, explain the steps customers would go through for the purchase of a new mobile phone. (12 marks)

(Total: 20 marks)

END OF PAPER

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.

General Notes on Marking

1. Teachers are strongly advised to conduct their own internal standardisation procedures using the marking scheme before the actual marking begins. After standardisation, teachers should adhere to the marking scheme to ensure a uniform standard of marking within the school.
2. The marking scheme may not exhaust all possible answers for each question. Teachers should exercise their professional discretion and judgment in accepting alternative answers that are not in the marking scheme, but are correct and well-reasoned.
3. In questions asking for a specified number of reasons or examples etc., and a student gives more than the required number, the extra answers should not be marked. For instance, in a question asking students to provide two examples, and a student gives three answers, only the first two should be marked.
4. 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 or answer with a brief explanation of the concept/key words and/or illustration of how it is related to the given scenario

PAPER 1

SECTION A (60 marks)

Question No.	Key	Question No.	Key
1.	A (42%)	16.	B (50%)
2.	D (59%)	17.	C (41%)
3.	B (66%)	18.	C (75%)
4.	D (81%)	19.	B (74%)
5.	A (79%)	20.	A (61%)
6.	C (62%)	21.	C (76%)
7.	C (85%)	22.	A (80%)
8.	B (85%)	23.	D (33%)
9.	A (70%)	24.	B (71%)
10.	D (56%)	25.	D (60%)
11.	A (53%)	26.	C (28%)
12.	C (56%)	27.	D (66%)
13.	B (88%)	28.	A (76%)
14.	D (58%)	29.	C (76%)
15.	B (51%)	30.	B (63%)

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

SECTION B PART 1 (20 marks)

QUESTION 1

			Marks
(a)	Journal		
		Dr	Cr
		\$	\$
	Drawings	500	1
	Purchases		1
			500
(b)	- business entity concept		1
	- a firm and its owner(s) are separate entities		Max. 2
	Takeover of business's inventory by the owner should be recorded in the		
	- drawings account so as to decrease the capital amount		
	- purchases account so as to avoid overstating the cost of goods sold		
	(1 mark for each relevant elaboration, max. 2 marks)		<u>5 marks</u>

QUESTION 2

			Marks
(a)	Its share price will increase because		1
	- personal income increases		Max.2
	- people are more willing to buy/invest in property		
	- the profitability of the property development company increases		
	(1 mark for each relevant elaboration, max. 2 marks)		
(b)	Ways:		Max. 4
	- assess the general performance of shares listed in Hong Kong		
	- compare performance of the Hong Kong stock market over time		
	- compare performance among different stock markets		
	(2 marks for each relevant way, max. 4 marks)		<u>7 marks</u>

QUESTION 3

			Marks
(a)	Reasons:		Max. 4
	- 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		
	(2 marks for each relevant reason, max. 4 marks)		
(b)	Legal factors:		Max. 2
	- 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, max. 2 marks)		
	Cultural factors:		
	- tastes and preferences of the target customers in Hong Kong		Max. 2
	- demographic structure/ population structure of Hong Kong: e.g. age, gender, race, etc.		
	(2 marks for each relevant cultural factor, max. 2 marks)		<u>8 marks</u>

PART 2 (10 marks)

QUESTION 4

Marks

- (a) (i) Gross profit ratio = $\frac{\$40\,000}{\$100\,000} \times 100\% = 40\%$ 1
- (ii) Net profit ratio = $\frac{\$10\,000}{\$100\,000} \times 100\% = 10\%$ 1
- (iii) Return on capital employed = $\frac{\$10\,000}{(\$30\,000 + \$37\,000)/2} \times 100\% = 29.85\%$ 1
- (b) John's supermarket:
- has higher gross profit ratio but lower net profit ratio 1
 - is poor in controlling expenses /administrative arrangements 1
- (c) (i) Management by Objectives:
- the superiors and the subordinates set the firm's objectives together 1
- (ii) Advantages: Max. 2
- subordinates are more committed as they have better understanding of the firm's objectives
 - facilitates control on subordinates' progress
- (2 marks for each relevant advantage, max. 2 marks)
- Disadvantages Max. 2
- time-consuming
 - increased workloads of superiors and subordinates
- (2 marks for each relevant disadvantage, max. 2 marks).

10 marks

QUESTION 5

Marks

- (a) (i) Working capital = $\$40\,000 - \$30\,000 = \$10\,000$ 1
- (ii) Current ratio = $\frac{\$40\,000}{\$30\,000} = 1.33 : 1$ 1
- (iii) Liquid ratio = $\frac{\$6000}{\$30\,000} = 0.20 : 1$ 1
- (b) - The liquidity of John's supermarket is poor due to the low current ratio and liquid ratio 1
- it has difficulty in meeting its immediate debts
 - its current assets are tied up in inventory
- (1 mark for each relevant point, max. 1 mark) Max. 1
- (c) (i) Controlling:
- ensures that activities are in line with the plan 1
- (ii) Step 1: set performance standards
Step 2: measure actual performance
Step 3: compare actual performance with the standards
Step 4: take corrective actions
(1 mark for each correct step in sequence, max. 4 marks) Max. 4

10 marks

END OF PAPER 1

PAPER 2B
Business Management Module

SECTION A (24 marks)

QUESTION 1

Marks

Limitations:

4

- only reflects quantitative information
 - difficult to make comparison: e.g. different accounting policies or standards are used by different companies
 - reflects the phenomenon/problem without explaining the causes
- (2 marks for each relevant limitation, max. 4 marks)

4 marks

QUESTION 2

Marks

Factors:

4

- recognition: e.g. appoint the designers to take part in designing competition
 - responsibility: e.g. empowerment, job autonomy, involvement in decision making
 - personal growth: e.g. provide workshops or seminars on creativity or latest fashion trends
 - work itself: e.g. assign challenging work
 - achievement: e.g. success in designing a new product line
 - advancement/promotion: e.g. promote to senior designers
- (2 marks for each relevant factor, max. 4 marks)

4 marks

QUESTION 3

Marks

Advantages:

6

- saves distribution costs: e.g. reduce commission to intermediaries
 - better customer support: e.g. better product knowledge/tailor-made products for customers
 - better control on the sales of products: e.g. can decide how products are displayed and promoted/exercises better control on the quality and price of the products
 - avoids using intermediaries of competitors
 - easy access to customers with its own sales channels: e.g. better understanding of customers' needs; directly obtaining feedback from customers, cross-selling, etc.
- (2 marks for each relevant advantage, max. 6 marks)

6 marks

QUESTION 4

Marks

Objectives:

4

- evaluates salespeople's performance to make personnel decisions: e.g. promotion, transfer and salary adjustment
- identifies training needs of the salespeople: e.g. enhance product knowledge and communication skills
- aligns salespeople with company objectives: e.g. improve their understanding on the performance standards and company's overall objectives

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

4 marks

QUESTION 5**Marks**

- (a) Purposes: 4
- planning: provide directions for formulating plans to achieve company's goals
 - organising: facilitate resources allocation and cooperation among departments
 - leading: provide quantitative and specific targets for employees
 - controlling: serve as standards for performance management
- (2 marks for each relevant purpose, max. 4 marks)
- (b) Causes: 2
- actual selling price is higher than budgeted
 - actual sales volume is higher than budgeted
 - product mix: the actual sales are higher than the budgeted sales when a higher proportion of products with higher price are sold
- (1 mark for each relevant cause, max 2 marks)

6 marks**SECTION B (36 marks)****QUESTION 6****Marks**

- (a) (i) Economic Order Quantity (EOQ):
- $$\sqrt{\frac{2 \times 500 \times \$5625}{\$10}} \quad \text{Or} \quad \sqrt{\frac{2 \times (500 \times 12) \times \$5625}{\$10 \times 12}}$$
- 1
- = 750 boxes 1
- (ii) - ordering cost 1
- lower order frequency, from 10 times to 8 times in a year 1
- (b) Ways: 4
- delay payments
 - obtain short-term loan: e.g. bank overdraft
 - match the timing and amount of cash inflows and cash outflows
- (2 marks for each relevant way, max. 4 marks)
- (c) Reasons: 4
- consider all cash flows beyond the payback period
 - take into consideration the time value of money
 - can assess the net worth of the project
- (2 marks for each relevant reason, max. 4 marks)
- (d) Problems: 6
- system security and breakdown: e.g. hacking
 - human resources issue: e.g. manpower allocation and training
 - difficult to gain acceptance from existing customers/attract new customers
 - operational problems: e.g. pressure on inventory management, stockout risk, etc.
- (2 marks for each relevant problem, max. 6 marks)

18 marks

QUESTION 7

Marks

- (a) (i) Data are readily available / data collected for some other purposes 1
- (ii) – the data may be outdated 2
– as the data were not collected for the intended purposes, they may not satisfy the needs of the users
– accuracy of the data is in doubt
(1 mark for each relevant point, max. 2 marks)
- (b) Evidence: 3
– increased competition
– slowdown in sales growth
– price competition is popular
– some weaker competitors have been driven out of the market
(1 mark for each relevant evidence, max. 3 marks)
- (c) Off-the-job training methods: 6
– lecturing: e.g. enhance product knowledge
– programmed learning: e.g. learn the sales procedure through books, computers or video recordings
– role play: e.g. learn communication skills
– case study: e.g. learn how to handle customers' objections
– simulated training: e.g. learn the operation of the dishwashing machine through equipment simulation for effective sales presentation
(2 marks for each relevant training method, max. 6 marks)
- (d) (i) Reasons: 2
– the loss is too trivial or frequent
– administrative cost incurred by the insurance company is higher than the premium
(2 marks for each relevant reason, max. 2 marks)
- (ii) Risk management strategies: 4
– risk assumption: e.g. bear the loss of the damaging of dishware
– risk reduction: e.g. provide training to workers to reduce the chance of damaging
(2 marks for each relevant strategy, max. 4 marks)

18 marks

SECTION C (20 marks)

QUESTION 8

Marks

(a) Advantages:

8

- enhances the morale and motivation of the employees: e.g. makes them work harder to compete for promotion chances; promoted employees can get higher job satisfaction
- saves time and cost: e.g. by providing a simplified recruitment process; by making use of readily available employees' record
- easier adaption for the promoted employees: e.g. they are familiar with the working environment and culture of the chain
- better understanding of candidates: e.g. the chain knows the background, strengths and weaknesses of current employees from their past performance

(2 marks for each relevant advantage, max. 8 marks)

(b) Support measures:

12

- staffing and placement: e.g. assign jobs and duties according to staff's abilities
- training: e.g. tailor-made training programmes to facilitate staff's adaptation, learning and practice
- performance appraisal: e.g. give more frequent feedback, set realistic performance standards
- compensation and benefit management: e.g. provide special allowances, ensure an equitable compensation system to maintain their positive working attitude
- managing relations and motivation: e.g. be sensitive to their needs and feelings, avoid discrimination, enhance their self-image

(3 marks for each relevant support measure, max. 12 marks)

20 marks

QUESTION 9

Marks

(a) Factors:

8

- marketing objectives: e.g. survival, profit maximisation, capture of market share or image of high quality
- other marketing mix strategies: e.g. match the objectives of its product, place and promotion strategies
- cost of the products: e.g. the price should be high enough to cover the total cost of the product
- nature of the market: e.g. higher price in markets with less competition
- affordability of the market: e.g. higher price if the purchasing power of target customers is high
- customers' perception: e.g. customers' perception of the value of the products, whether the product is unique in comparison to others
- competitors' strategies: e.g. similar or even more attractive pricing strategy than competitors' to capture sales

(2 marks for each factor, max. 8 marks)

(b) Steps:

12

1. need recognition/stimulus: e.g. handset broken or attracted by new functions
2. information search: e.g. from personal sources (e.g. friends, relatives, etc.), commercial sources (e.g. websites, magazines, etc.) or public sources (e.g. Consumer Council, consumer ratings, etc.)
3. formulation and evaluation of alternatives: e.g. choose several models of suitable handset, set selection criteria, compare the features, price and quality of different models
4. purchase decision: e.g. decide on the handset model to purchase based on the evaluation result
5. post-purchase behavior: e.g. evaluate the performance of the handset to see whether it meets customers' expectations

(3 marks for each relevant step in correct sequence, max. 12 marks)

20 marks

END OF PAPER 2B

Candidates' Performance

There were 12 565 candidates for the Business, Accounting and Financial Studies examination this year. 8933 candidates chose the Accounting Module and 3582 chose the Business Management Module. Approximately 55% of candidates sat the English papers.

Paper 1

Section A

There were 30 multiple-choice questions in this section. The mean score was 40 out of 60 marks for this section.

The percentage correct was lowest overall in the following questions:

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 (42%)
 B. (1) and (2) only (18%)
 C. (2) and (3) only (6%)
 D. (1), (2) and (3) (34%)

Many candidates mixed up the characteristics of a multinational corporation with those of a large corporation and of a listed company.

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. (49%)
 - B. There is free flow of capital between Hong Kong and the Mainland. (49%)
 - *C. Tariffs are not levied on goods originating in Hong Kong exported to the Mainland. (41%)
 - D. Hong Kong is allowed to enter the World Trade Organisation as an independent economy. (6%)

Many candidates were not familiar with the basic content of the "Closer Economic Partnership Arrangement".

23. On 1 January 2015, Mr Lee set up a firm with cash of \$100 000. On the same day, the firm took out a loan of \$200 000 from a bank. At the end of that year, total assets and total liabilities of the firm were \$980 000 and \$560 000 respectively. During the year, Mr Lee made regular cash drawings of \$5000 per month.

What is the net profit of the firm for the year 2015?

 - A. \$180 000 (15%)
 - B. \$260 000 (32%)
 - C. \$325 000 (20%)
 - *D. \$380 000 (33%)

This question tested the calculation of net profit by comparing the closing and opening capital. Many candidates mistakenly regarded the monthly drawings of \$5000 as the total annual drawings and gave answer (C). Some deducted drawings of \$60 000 and gave answer (B). Some deducted the opening liabilities of \$200 000 from the calculations and gave answer (A).

26. Which of the following is not the main use of a company's financial statements for the respective users?
 - A. User: managers (8%)
 - B. Main use: to formulate company's development strategies to assess their remuneration level and job security (52%)
 - *C. government: to assess company's ability to repay tax (28%)
 - D. trade creditors: to decide whether to sell goods to the company on credit (12%)

Many candidates mixed up the meanings of 'amount to be paid' and 'ability to pay'. They also did not understand clearly the use of financial statements by the employees of a company.

Section B

Part I

Question Number	Performance in General
1** (a)	Fair. Though many candidates were able to make a debit entry in the Drawings account, the credit entry was not made in the Purchases account correctly. Some candidates failed to record the transaction at the correct amount.
(b)	Satisfactory. Most candidates were able to identify the business entity concept and give a brief explanation.
2 (a)	Fair. Most candidates were able to state the change in the share price of a property development company in Hong Kong, though some of them failed to explain their answers clearly.
(b)	Fair. Many candidates were able to state the meaning and/or functions of Hang Seng Index, but they failed to explain how investors use it to make investment decisions.
3 (a)	Fair. Many candidates were able to explain why Carlo should establish branches in Hong Kong in the form of franchising. However, some candidates regarded Carlo as a franchisee and hence gave wrong answers.
(b)	Fair. Candidates were able to list the legal and cultural factors but they failed to offer explanations and/or examples relevant to the case scenario.

**The revised BARS curriculum was first implemented in the 2016 HKDSE. Since there might have been different interpretations of the requirements regarding 'journal entry' in the compulsory part of the revised curriculum, the marks of all Business Management module candidates in Question 1 were scrutinised and adjusted upwards if necessary to ensure that the marks awarded appropriately reflect their actual performance in the paper as a whole, regardless of any possible discrepancy in the interpretation of the related curriculum requirements. Candidates taking the Accounting module were taught 'journal entry' in the elective part and so this mark adjustment was not applicable to them.

Question Number	Popularity	Performance in General
4 (a)	66%	Good. Most candidates were able to work out the gross profit ratio and net profit ratio. However, some candidates failed to use the average capital to calculate the return on capital employed. Some of the answers were not rounded to two decimal places.
(b)		Fair. Many candidates were able to compare the profitability of the two supermarkets and point out John's poor expenses control. However, some candidates only superficially compared the amount of expenses of the two supermarkets in their answers.
(c) (i)		Good. While the joint decision process of MBO was mentioned by many candidates, some stated the characteristics of a good objective as answers.
(ii)		Fair. Most candidates were able to state the advantage and disadvantage of adopting MBO. However, many of them failed to provide appropriate elaborations.
5 (a)	34%	Good. Most candidates were able to calculate working capital, current ratio and liquid ratio, but some of the answers were not rounded to two decimal places.
(b)		Fair. Though candidates were able to point out the liquidity problem of John's supermarket, some of them failed to give justifications for their answers.
(c) (i)		Fair. While many candidates were able to state the purpose of controlling, some gave the function of planning as answers. Some stated the process instead of the purpose or function of controlling.
(ii)		Good. Most candidates were able to list the steps in the controlling process in proper sequence.

General comments and suggestions

As in previous years, candidates performed well in questions requiring recall of knowledge but were weaker in applying knowledge and theories. Many candidates simply recited what they could recall from textbooks, without relating the answers to the question or the case context, resulting in poor performance.

Candidates should do more case studies, pay more attention to business issues and news, have more discussions with their schoolmates and tackle problems from different perspectives. They are also reminded to read the questions very carefully and respond to the specific requirements of the questions.

Section A

Question Number	Performance in General
1 (a)	Very good. Most candidates prepared the trial balance correctly, though some candidates did not have a good understanding of the normal balance for certain ledger accounts, such as retained profits and unearned revenue.
(b)	Good. Most candidates were able to state one limitation of a trial balance.
2	Good. Candidates were able to indicate the accounts to be debited and credited correctly for transactions (a) to (d), though many of them treated transaction (e) as a cash receipt of interest instead of an accrual for interest income. Quite a number of candidates were weak in identifying the ledgers to be recorded for transactions (b), (d) and (e).
3 (a)	Fair. While some candidates did not realise that the predetermined manufacturing overhead absorption rate includes both fixed and variable manufacturing overheads, others overlooked the requirement of the question and failed to use machine hours as the basis for overhead absorption.
(b)	Fair. Most candidates were able to use the actual manufacturing overhead to work out the over-absorption or under-absorption of manufacturing overheads. However, quite a number of candidates wrongly used the predetermined fixed manufacturing overheads for comparison. Some mistakenly used the number of estimated machine hours for determining the applied manufacturing overheads.
(c)	Poor. Many candidates were not able to state the accounting treatment and the impact on net profit for the over-absorbed or under-absorbed manufacturing overheads.
(d)	Fair. Some candidates were able to state a variable manufacturing overhead cost which increases with the usage of machine hours.
4 (a)	Fair. Most candidates were able to explain the going concern assumption, though only a few gave precise explanations.
(b)	Poor. Most candidates failed to state net realisable value/liquidation value as the value for non-current assets.
(c)	Good. Most candidates correctly identified the accounting principle or concept that had been violated in the scenario and provided relevant explanations.
(d)	Fair. Many candidates correctly calculated the balance of the allowance for doubtful debts account, though some did not know how to handle properly the debt owed by customers who had declared bankruptcy.

Section B

Question Number	Performance in General
5 (a)	Good. Many candidates were able to prepare the revaluation account and capital accounts properly. However, some candidates lost marks for not giving proper descriptions of the postings in the revaluation account and partners' capital accounts. Some did not adopt the account names as given in the question. Some candidates wrongly allocated the realisation gain to all three partners instead of the two old partners, Chiu and Yam.
(b)	Satisfactory. Most candidates provided at least one factor that affects the value of goodwill of a company. However, some candidates provided different examples of the same factor as the answer.
6 (a)	Good. Some candidates failed to work out the cost of the motor vehicle disposed in April, however.
(b)	Fair. Quite a number of candidates did not credit the depreciation expense of year 2015 for the two disposed motor vehicles to the accumulated depreciation account.
(c)	Fair. For the motor vehicle disposed in March, some candidates wrongly credited the disposal gain to the disposal account; for the one disposed in April, many candidates were not able to provide a correct figure and an appropriate description for the insurance compensation receivable.
(d)	Fair. Many candidates treated the testing and inspection fees as revenue expenditure instead of capital expenditure. Some candidates just copied the descriptions of the payments as account names in the journal entry.
7 (a)	Good. Many candidates were able to prepare the correct income statement using the marginal costing system. However, some candidates either omitted the calculation of closing inventory or wrongly treated the incentive payment as a fixed cost, resulting in incorrect amounts for contribution margin as well as net profit.
(b)	Good. Most candidates worked out correctly the amounts of closing inventory under both the marginal and absorption costing systems. However, only a few candidates gave the correct explanation for the difference in the amounts. Some only stated that the treatment of fixed manufacturing overheads under the two costing systems was different, without further elaboration.
(c)	Satisfactory. Many candidates were able to compute the amount of the difference in the net profits under the marginal and absorption costing systems. They also identified the costing system which resulted in higher profit.
(d)	Fair. Most candidates made the right decision to buy the component instead of manufacturing it by showing the calculations of reduced cost or higher contribution/profit. It would have been better if candidates had adopted the incremental approach to work out the answers.

Section C

Question Number	Popularity	Performance in General
8 (a)	54%	Poor. Many candidates failed to identify the corrections required for the various situations, such as the loan interest for 2016 in item (i), the reduction to net realisable value for closing inventory in item (ii), the credit sales recorded for unsold goods in item (iii), and the deposit from customers and the allowance for doubtful debts in item (iv). Some candidates were not aware that the revenues and expenses accounts had been closed and thus lost some marks for journal entries.
(b)		Fair. Most candidates presented the statement of financial position in the proper format, though some of the figures were not correct. Most candidates did not give the correct amounts of inventory, trade receivables and retained profits, while others wrongly classified deposits from customers as a current asset in the statement of financial position.
(c)		Poor. While some candidates did not attempt this part, others mistakenly thought that the long-term bank loan had been repaid and gave irrelevant answers.
9 (a)	46%	Fair. Most candidates failed to work out the figures correctly for the income statement in part (a)(i). Many candidates ignored the unrepresented cheques and uncredited deposits in the calculation of purchases and sales respectively. Some candidates did not deduct the cost of destroyed inventory from closing inventory, while others did not include the correct amount of loss on destroyed inventory in the income statement. Many candidates did not know how to work out the amount of working capital in part (a)(ii) and some were weak in computing the various items for current assets and current liabilities.
(b)		Poor. Most candidates failed to give appropriate comments on the working capital situation of the company.
(c)		Unsatisfactory. Many candidates were not able to work out the correct total assets turnover. While some candidates had no idea of the formula for computing the total asset turnover, others used a wrong figure for total assets.

General comments and suggestions

Candidates are reminded to read the questions carefully and present their answers in a tidy manner with a good layout and legible writing. Abbreviations are not accepted in accounting entries, especially financial statements. Candidates should show workings in their answers, so that they can gain some step marks even if the final answer is wrong.

Section A

Question Number	Performance in General
1	Fair. Some candidates were able to outline the limitations of using accounting ratios properly with relevant elaboration. However, some others did not respond to the question and stated that 'being unable to forecast the future performance' is a limitation of using accounting ratios to assess the performance of a company.
2	Fair. Some candidates provided correct motivators with relevant examples. However, some others provided hygiene factors instead.
3	Fair. Some candidates were able to suggest the advantages of a direct distribution channel with relevant explanation. However, some candidates mistook direct distribution as online shopping.
4	Unsatisfactory. Some candidates were able to describe the objectives of appraising employees. However, they failed to give appropriate explanations with reference to the performance of salespeople.
5	(a) Fair. Some candidates were able to state two purposes of budgeting, but they failed to give clear elaboration. (b) Unsatisfactory. Some candidates were able to list two causes of favourable sales variance. However, some of them mixed up the meaning of 'sales', 'profit' and 'sales volume'.

Section B

Question Number	Performance in General
6	(a) (i) Good. Most candidates were able to calculate the optimal order quantity, though some used the wrong figure for sales volume. (ii) Fair. Many candidates were able to state 'ordering cost', but quite a number were not able to explain how it contributed to the reduction in total inventory cost. (b) Fair. Many candidates suggested two ways to cope with the liquidity problem. However, some of them overlooked the requirement and answered the question from the perspective of accounts receivable management instead. (c) Good. Most candidates clearly stated the two reasons for using the Net Present Value method instead of the Payback method to evaluate the online shopping project. (d) Good. Most candidates were able to suggest three non-financial problems with launching the online shopping project.
7	(a) (i) Fair. Some candidates only gave examples of secondary data instead of its general meaning. (ii) Satisfactory. Many candidates were able to list the limitations of using secondary data. (b) Satisfactory. Most candidates were able to find the relevant evidence from the case, though some described the current situation of the company instead.

Question Number	Performance in General
7	(c) Fair. Most candidates were able to state the off-the-job training methods. However, quite a number failed to explain how the methods could increase the success rate of personal selling specifically. Some listed answers for both on-the-job and off-the-job training methods. (d) (i) Good. Most candidates were able to give the basic reason for the risk being non-insurable. (ii) Good. Most candidates were able to suggest appropriate risk management strategies. However, some candidates failed to give relevant elaborations with reference to the case context.

Section C

Question Number	Popularity	Performance in General
8	(a) 24% (b)	Fair. Many candidates were able to describe the advantages of hiring a shop supervisor through internal recruitment, with sufficient explanations. However, some candidates just repeated the same point in their answers. Unsatisfactory. Many candidates were able to suggest support measures that the fast food chain could provide for employees with mild mental and physical disabilities. However, most of them failed to explain the supporting measures from the perspective of human resources management functions in the context of a fast food shop. A few candidates wrongly gave the advantages of employing people with mild mental and physical disabilities instead of suggestion of support measure provided to them, such as improving company image and fulfilling social responsibility.
9	(a) 76% (b)	Satisfactory. Most candidates were able to describe the factors to be considered when setting the price. Good. Most candidates were able to state the steps in the customer decision-making process. However, some failed to describe the steps in full using the purchase of a new mobile phone as an example. Some others confused the sequence of the steps.

General comments and suggestions

Candidates need to understand the requirements of the questions before attempting, especially when qualifying conditions or contexts are specified. Most candidates seemed to rely heavily on textbook key words instead of paying attention to the hints given in the questions or cases and tailoring their answers to meet these specific requirements.