

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

PRACTICE PAPER
BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1

(1 hour 30 minutes)

This paper must be answered in English

GENERAL INSTRUCTIONS

- (1) There are TWO sections, A and B, in this Paper.
- (2) Section A consists of multiple-choice questions in this question paper. Section B contains short questions printed separately in Question-Answer Book B.
- (3) Answers to Section A should be marked on the Multiple-choice Answer Sheet while answers to Section B should be written in the spaces provided in Question-Answer Book B. **The Answer Sheet for Section A and the Question-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)

1. Mike wants to set up a yoghurt shop in Mongkok. Which of the following factors is he considering if he conducts a survey on the tastes and preferences of his target customers?
- A. technological factors
 - B. physical factors
 - C. economic factors
 - D. social and cultural factors
2. Effective management can
- (1) improve staff morale.
 - (2) guarantee company profits.
 - (3) enhance operational efficiency.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
3. Arrange the following procedures of Management by Objectives.
- (1) formulate the action plan
 - (2) evaluate the result of the action plan
 - (3) set objectives for the action plan
 - (4) implement the action plan
- A. (1) 、 (2) 、 (3) 、 (4)
 - B. (1) 、 (4) 、 (3) 、 (2)
 - C. (3) 、 (1) 、 (4) 、 (2)
 - D. (3) 、 (2) 、 (1) 、 (4)
4. For products traded on the Hong Kong Exchanges and Clearing Limited, if an investor suffers financial losses on investment due to default of an authorised intermediary, from which of the following institutions should a remedy be sought?
- A. Investor Compensation Company Limited
 - B. Hong Kong Deposit Protection Board
 - C. Hong Kong Exchanges and Clearing Limited
 - D. Securities and Futures Commission
5. Rank the following competences that a top manager should possess in descending order according to importance.
- (1) job-relevant knowledge
 - (2) ability to create a vision and solve problems
 - (3) ability to communicate with others
- A. (1) 、 (2) 、 (3)
 - B. (2) 、 (3) 、 (1)
 - C. (1) 、 (3) 、 (2)
 - D. (3) 、 (2) 、 (1)

6. Which of the following double entries are correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	goods purchased in cash	<i>Purchases</i>	<i>Cash</i>
(2)	goods returned by a customer	<i>Returns inwards</i>	<i>Trade payables</i>
(3)	cash deposited into the bank account	<i>Bank</i>	<i>Cash</i>
(4)	inventories withdrawn for owner's private use	<i>Drawings</i>	<i>Capital</i>

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

7. Which of the following is least useful for promoting corporate governance?

- A. develop a code of ethics for managers and employees
- B. appoint professionals with high academic qualification as directors
- C. set up an internal audit committee
- D. ensure an appropriate mix of executive directors and non-executive directors

8. A well-planned personal budget can help to avoid

- (1) overspending.
- (2) misuse of consumer credit.
- (3) losses in stock investments.

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

9. Which of the following transactions would have the same effect on the balances of asset and liability of a firm?

- A. receiving a cheque of \$1200 from a customer
- B. receiving a loan of \$2500 in cash, of which \$500 is used to pay rent on the proprietor's residence
- C. paying office expenses of \$2000 in cash
- D. buying office equipment for \$1000 and paying the vendor 3 months later

10. Which of the following accounting concepts cannot be applied in the situation listed to its right?

	<u>Accounting concept</u>	<u>Situation</u>
A.	<i>Historical cost</i>	The market price of an asset is not shown on the statement of financial position.
B.	<i>Business entity</i>	The vehicle used by the owner and his family is not recorded as an asset of his firm.
C.	<i>Consistency</i>	The same method is used to record the same type of transaction in different companies.
D.	<i>Accrual</i>	The expenses prepaid in the previous year have been recorded in the financial statements of the current year.

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11. _____ is / are a set of principles, values and beliefs, which govern business behaviour, decisions or actions that conforms to generally accepted norms.
- A. Business ethics
 - B. Social responsibility
 - C. Company law
 - D. Accounting principles
12. Workers in which of the following industries are required to join the Mandatory Provident Fund scheme even when their working period is less than 60 days?
- (1) retailing
 - (2) catering
 - (3) construction
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 13 to 14:

Ms Cheung is working in a long-established grocery store. She plans to resign to establish her own grocery store. Mr Sze, aged 62, is the employer of Ms Cheung. He wants to retire and invites Ms Cheung to take over his store.

13. In the life-cycle context, which of the following is the major financial need of retired people, such as Mr Sze?
- A. create and accumulate wealth
 - B. insure on earning ability
 - C. arrange for children's educational fees
 - D. plan for medical expenses
14. Compared with establishing a new store, which of the following is the benefit to Ms Cheung of taking over Mr Sze's store?
- A. enjoy economies of scale
 - B. acquire existing customer source
 - C. lower operational costs
 - D. lower initial investment
15. The planning process includes
- (1) deciding the objectives of the enterprise.
 - (2) maximising the profitability of the enterprise.
 - (3) completing different tasks in order to achieve the objectives of the enterprise.
- A. (1) only
 - B. (1) and (2) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

16. Which of the following are the roles of small and medium enterprises in Hong Kong's economy?
- (1) create employment
 - (2) widen the variety of products offered
 - (3) promote competition
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
17. Which of the following is / are the benefit(s) of buying a company's ordinary shares over buying its debentures?
- (1) avoid total loss of investment
 - (2) have voting rights in the annual general meeting
 - (3) guarantee higher returns
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
18. Which of the following are performance indicators for property agents?
- (1) number of customer complaints
 - (2) volume of transactions
 - (3) appreciation of property values
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
19. Rank the following investment instruments in descending order according to the level of risk to investors who would like to have a stable return.
- (1) government bonds
 - (2) warrants of a public utility
 - (3) shares of a listed company
- A. (1) 、 (3) 、 (2)
 - B. (2) 、 (3) 、 (1)
 - C. (3) 、 (1) 、 (2)
 - D. (3) 、 (2) 、 (1)
20. Which of the following descriptions of business ownership is correct?
- A. A limited company distributes dividends to ordinary shareholders before preference shareholders.
 - B. A franchise is formed by two or more business entities to develop, produce or sell products.
 - C. A sole proprietorship does not have a separate legal entity status.
 - D. Public enterprises are wholly owned by large multinational corporations to provide essential goods and services to the public.

21. Which of the following are functions of insurance in businesses?
- (1) reduce operational risks of businesses
 - (2) help businesses to transfer risks
 - (3) provide source of capital for businesses
- 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 statements is correct?
- A. Trade discounts are recorded as discounts allowed in the books.
 - B. Cash discounts are enjoyed when a large quantity of goods is purchased.
 - C. Cash discounts are given to encourage customers to settle debt within the credit period.
 - D. Trade discounts are not entered in the sales journal.
23. The main function of the _____ is to provide financial and technical assistance to developing countries.
- A. World Trade Organisation
 - B. International Monetary Fund
 - C. World Bank
 - D. Asia-Pacific Economic Cooperation
24. A bookshop plans to hire sales assistants. Which of the following management functions contribute to deciding their salary?
- (1) human resources management
 - (2) financial management
 - (3) information management
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
25. The Board of Directors announces a new company policy to its employees by email. This is an example of
- A. formal and one-way communication.
 - B. formal and two-way communication.
 - C. informal and one-way communication.
 - D. informal and two-way communication.
26. Which of the following is the difference between small and medium enterprises (SMEs) and multinational corporations (MNCs) in Hong Kong?
- A. SMEs have limited sources of financing while MNCs have more sources of financing.
 - B. SMEs operate locally while MNCs operate beyond their national boundaries.
 - C. SMEs are reluctant to respond to market change while MNCs are responsive to market change.
 - D. SMEs are capital intensive and use relatively simple technology while MNCs are labour intensive and use relatively high technology.

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

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

Based on the following information, answer Questions 28 and 29:

The following are the account balances of Lily Ltd as at 31 December 2011:

	\$
Sales	20 000
Purchases	8 000
Discounts allowed	400
Discounts received	1 200
Rental income	1 600
Electricity expenses	3 700
Cash and bank	3 000
Accounts receivables	2 900
Accounts payables	4 000
Office equipment	15 000
Inventory (1 January 2011)	3 500
Capital (1 January 2011)	?

Inventory as at 31 December 2011 amounted to \$4200.

28. The amount of capital of Lily Ltd as at 1 January 2011 is:

- A. \$8 300
- B. \$9 700
- C. \$19 800
- D. \$33 700

29. The gross profit ratio of Lily Ltd for 2011 is:

- A. 42.5%
- B. 56.5%
- C. 60%
- D. 63.5%

30. The current assets shown in the statement of financial position are arranged in order of

- A. significance, with the most important assets coming first and the least important assets coming last.
- B. value, with the most valuable assets coming first and the least valuable assets coming last.
- C. liquidity, with the least liquid assets coming first and the most liquid assets coming last.
- D. acquisition time, with the earliest acquired assets coming first and the latest acquired assets coming last.

END OF SECTION A

5. (b) Mr Cheung has a retailing firm. He knows little about book-keeping and has trouble preparing the financial statements for the firm. Based on the following information, prepare for his business the income statement for the year ended 31 December 2011. (6 marks)

	\$
Rent and rates	22 000
Salaries	31 000
Inventory (1 January 2011)	45 000
Inventory (31 December 2011)	38 000
Sales	188 000
Purchases	92 100
Returns inwards	5 500
Returns outwards	4 400
Carriage outwards	1 900
Discounts allowed	2 700

Answers written in the margins will not be marked.

Answers written in the margins will not be marked.

Answers written in the margins will not be marked.

PP-DSE
BAFS
PAPER 2B

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

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

(2 hours 30 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

A

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SECTION A

Answer **ALL** questions in this section.

1. Explain two advantages of using debt financing. (4 marks)

2. List two activity ratios and state what aspects of management efficiency each of them measures. (4 marks)

3. List four commonly used channels for external recruitment. (4 marks)

4. Outline three types of consumer protection measures in Hong Kong. (6 marks)

5. Describe three differences between a consumer market and a business market. (6 marks)

6. Conciliation and arbitration are commonly used in resolving labour disputes. Outline three differences between them. (6 marks)

SECTION B

Answer ALL questions in this section.

7. Moon Flower is a small travel agency established eight years ago specialising in selling travel related products and making travel arrangements for business and individual travellers. Daisy, the sole owner of Moon Flower, makes all the major decisions and relies only on ad hoc meetings to communicate with her employees. As a result, staff in the firm get used to waiting for Daisy's instructions and follow closely her work orders.

Moon Flower has been growing steadily with the recent increase in people travelling abroad. However, as the level of manpower is more or less the same as eight years ago, the workload of staff has become very heavy and most staff need to come to the office early in the morning and leave late at night. Although overtime payments are paid to the front-line employees in addition to their basic salary, they are dissatisfied and complain about overwork and underpayment compared to the industry average. Some of them have even started looking for new jobs and plan to leave the firm.

In addition, there seems to be a lack of coordination among employees, which leads to frequent delays of work and some key corporate accounts left unattended. Complaints over the poor service of the firm are increasing and employees are busy handling angry customers.

Daisy is very worried about the situation. She tries to establish a manpower plan and revise the existing compensation system to cope with the problems. In view of the potential growth in the business, Daisy also considers expanding her business by establishing a website and setting up new branches in other districts. Apart from the Small and Medium Enterprises (SME) Development Fund, Daisy wants to explore other sources of funds for the operations and expansion of the business. Therefore, she starts to analyse the firm's financial position and prepare a cash budget.

- (a) Describe two advantages of Daisy's practice of making all the major decisions of Moon Flower by herself. (4 marks)
- (b) Explain why the front-line employees of Moon Flower feel dissatisfied with reference to:
- (1) Maslow's Hierarchy of Needs Theory (4 marks)
- (2) McGregor's Theory X and Theory Y (4 marks)
- (c) Suggest two measures by which the situation of lack of coordination among Moon Flower's employees can be improved. (4 marks)
- (d) Describe the steps in manpower planning that Daisy should follow. (8 marks)
- (e) Apart from the SME Development Fund, list two other sources of funds for Moon Flower's operations and expansion. (2 marks)

(Total: 26 marks)

8. Century Group is a large local manufacturer of consumer electronics with a mission to provide entertainment to as many people as possible. With the growing popularity of interactive electronic games, the Group has developed a four-dimensional (4D) portable electronic game device. In a management meeting, Mr Lam, the Chief Executive Officer, said, "After spending several years on research and development (R&D), it's time for us to reap our rewards and be the leader in the market."

Ms Ho, the Marketing Manager, responded, "To launch the new product, we need to develop effective marketing strategies. As the 4D portable electronic game device is in the introductory stage of the product life cycle, we have to select our target market carefully and formulate appropriate marketing mix strategies. According to my preliminary analysis, the new product can be marketed as a high-priced version which targets high income professionals, or it can be marketed as a low-priced version which targets the general public." The estimated net cash flows of the two versions are presented in the following table:

	<u>High-priced version</u> \$ (in millions)	<u>Low-priced version</u> \$ (in millions)
Year 0	-100	-70
Year 1	40	30
Year 2	60	50
Year 3	80	80
Year 4	50	60
Payback Period	2 years	?
Net Present Value (cost of capital is 10%)	\$80 206 270	?

Mr Lam said, "Your analysis reminds us that we have to be aware of the financial implications of launching the new product. Since we have already spent a vast amount of capital on the R&D of the new product in the past few years, if we further spend a considerable amount of money in marketing the new product, the pressure on capital would put our Group into a tight financial situation. As our Group is not able to undertake both versions, we have to choose one of them. I would choose the low-priced version."

Mr Fok, the Financial Manager, remarked, "I think financial control is important. Say for example, although the purchase price of raw materials and the wage rate of our employees were the same as budgeted, the actual spending on these two areas substantially exceeded the budgeted spending in the last financial year."

- (a) With reference to the concept of the product life cycle, state four characteristics of the market of the 4D portable electronic game device. (4 marks)
- (b) Ignoring any tax implications, calculate (1) the payback period and (2) the net present value of the low-priced version of the 4D portable electronic game device. Show your workings. (4 marks)
- (c) Give three reasons to explain why Century Group should launch the low-priced version of the 4D portable electronic game device. (6 marks)
- (d) Suggest the appropriate marketing mix strategies for the low-priced version of the 4D portable electronic game device. (8 marks)
- (e) For (1) raw materials and (2) wages, suggest a reason for each to explain why there was a variance between the actual spending and the budgeted spending of Century Group in the last financial year. (2 marks)

(Total: 24 marks)

SECTION C

Answer ONE question in this section.

9. A company is considering applying for the rights to distribute a branded electric car in Asia. As a risk reduction measure, the company plans to conduct market research to assess the market potential of the electric car.

(a) Describe the steps involved in conducting market research to assess the market potential of the electric car. (8 marks)

(b) Suppose the company finally got the distribution rights. Apart from the risk reduction strategy, discuss the other risk management strategies that the company can adopt for distributing the electric car. (12 marks)

(Total: 20 marks)

10. A large company has recently employed a group of young university graduates who have a great need for achievement. The company wants to develop them to take up senior management positions in the future. Discuss how the company could tailor its human resources management functions to support the development of the new recruits. (20 marks)

(Total: 20 marks)

END OF PAPER

香港考試及評核局
HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY

香港中學文憑考試
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION

練習卷
PRACTICE PAPER

企業、會計與財務概論 試卷一
BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1

評卷參考
MARKING SCHEME

(2012年2月29日修訂稿)
(updated as at 29 Feb 2012)

本評卷參考乃香港考試及評核局專為本科練習卷而編寫，供教師和學生參考之用。學生不應將評卷參考視為標準答案，硬背死記，活剝生吞。這種學習態度，既無助學生改善學習，學懂應對及解難，亦有違考試着重理解能力與運用技巧之旨。

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SECTION A

- | | | |
|-------|-------|-------|
| 1. D | 11. A | 21. C |
| 2. B | 12. C | 22. D |
| 3. C | 13. D | 23. C |
| 4. A | 14. B | 24. D |
| 5. B | 15. A | 25. A |
| 6. A | 16. D | 26. A |
| 7. B | 17. B | 27. B |
| 8. A | 18. A | 28. B |
| 9. D | 19. B | 29. D |
| 10. C | 20. C | 30. C |

SECTION B

QUESTION 1

Marks

- employees: e.g. provide a safe and healthy working environment
 - customers: e.g. assure property quality
 - suppliers: e.g. make payment timely
 - creditors: e.g. pay interest and principal on time
 - the government: e.g. pay taxes on time
- (2 marks for each relevant point, max. 6 marks)

6

Total: 6 marks

QUESTION 2

- Current ratio of Glassy Ltd is higher than that of Pearl Ltd which indicates its greater ability to meet short-term obligations. 1
- Quick ratio of Glassy Ltd is lower than that of Pearl Ltd which means it is less able to pay its immediate debt. 1
- However, as the current ratio of Pearl Ltd is more comparable to the industrial average, the higher current ratio of Glassy Ltd might imply its inability of using available resources to grasp investment opportunity. 2
- Besides, the significant difference between the quick ratio and current ratio of Glassy Ltd as compared with Pearl Ltd might imply Glassy Ltd is tied up with excessive inventories or other prepayments. 2

Total: 6 marks

QUESTION 3

- (a) Monthly instalment for Plan A:
 $[\$4800 \times (1+5\%)] / 12$
 = \$420.00

1
1

- Monthly instalment for Plan B:
 $\$4800 / 11.255$
 = \$426.48

1
1

- (b) - Plan A 1
 - monthly instalment paid is less than that of in Plan B 1

Total: 6 marks

QUESTION 4

Marks

(a)		<i>Third liners</i>	<i>Blue Chips</i>
-	volatility of stock prices	larger	smaller
-	turnover of stock trading	smaller	larger
-	risk associated	higher	lower

4

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

- (b) market risk
- affected by overall financial market which is uncontrollable

1
1

Total: 6 marks

QUESTION 5

- (a) Reasons:
- for external user: e.g. investors to make investment decision
 - for internal users: e.g. managers to formulate financial plans
 - to comply with legal requirements
- (1 mark for each relevant reason, max. 2 marks)

2

(b)

Mr Cheung
Income statement for the year ended 31 December 2011

	\$	\$	
Sales		188 000	½
Less: Returns inwards		<u>5 500</u>	½
		182 500	
Less: Cost of goods sold			
Opening inventory	45 000		½
Add: Purchases	<u>92 100</u>		½
	137 100		
Less: Returns outwards	<u>4 400</u>		½
	132 700		
Less: Closing inventory	<u>38 000</u>	94 700	½
Gross Profit		<u>87 800</u>	
Less: Expenses			
Salaries	31 000		½
Rent and rates	22 000		½
Carriage outwards	1 900		½
Discount allowed	<u>2 700</u>	<u>57 600</u>	½
Net Profit		<u><u>30 200</u></u>	½

Total: 8 marks

PP1A

QUESTION 6

Marks

(a)

	<i>Tall-type</i>	<i>Flat-type</i>
(1) layers	more	less
(2) span of control	narrower	wider

1
1

- (b) Reasons:
- speed up decision-making
 - increase management flexibility
 - improve communication
- (2 marks for each relevant reason, max. 4 marks)

4

- (c) Advantages:
- speedy transmission of information
 - simultaneous dissemination of information to multiple recipients
 - feedbacks can be received instantly
- (1 mark for each relevant advantage, max. 2 marks)

2

Total: 8 marks

END OF PAPER 1

2010

香港考試及評核局
HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY

香港中學文憑考試
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION

練習卷
PRACTICE PAPER

企業、會計與財務概論 試卷二乙
BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 2B

評卷參考
MARKING SCHEME

本評卷參考乃香港考試及評核局專為本科練習卷而編寫，供教師參考之用。教師應提醒學生，不應將評卷參考視為標準答案，硬背死記，活剝生吞。這種學習態度，既無助學生改善學習，學懂應對及解難，亦有違考試着重理解能力與運用技巧之旨。因此，本局籲請各位教師通力合作，堅守上述原則。

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QUESTION 1

Marks

Advantages:

4

- interest expenses are tax-deductible
- avoid dilution effect
- enjoy leveraging effect

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

QUESTION 2

Ratios and aspects of each measure:

4

- inventory turnover: measure the efficiency of using inventory in generating sales
- collection periods: measure the ability to collect receivables in a timely manner
- total assets turnover: measure the efficiency of using total assets in generating sales

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

QUESTION 3

Channels:

4

- job advertisements
- job fairs/walk-in days
- employment agencies / headhunters
- employees' referrals
- Labour Department

(1 mark for each relevant channel, max. 4 marks)

QUESTION 4

Types of measures:

6

- legislation
- consumer education
- product research and testing
- handling consumer complaints

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

QUESTION 5

Differences:

6

	<i>Consumer market</i>	<i>Business market</i>
- Number of buyers	more	fewer
- Volume of each purchase	smaller	larger
- Purpose of purchase	consumption	production
- Relationship with sellers	shorter term	longer term

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

QUESTION 6

Marks

Differences:

6

<i>Conciliation</i>	<i>Arbitration</i>
- the third party (conciliator) acts as a liaison between the disputing parties	- the third party (arbitrator) reviews the dispute at a hearing
- the purpose is to allow management and labour to focus on issues and share information	- the purpose is to settle the dispute and give a decision
- can begin without the consent of both parties	- begins only if the two parties agree to proceed
- decision is not a must	- the decision is usually binding

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

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QUESTION 7

Marks

- (a) Advantages: 4
- maintain closer control
 - avoid duplication of effort
 - policies and work orders are more consistent and uniform
- (2 marks for each relevant advantage, max. 4 marks)
- (b) (1) Maslow's Hierarchy of Needs Theory: 4
- physiological needs: deteriorating working conditions due to long working hours
 - safety needs: emotional insecurity due to customer complaints
- (2 marks for each relevant description, max. 4 marks)
- (2) McGregor's Theory X and Theory Y: 4
- Theory X: underpayment
 - Theory Y: low autonomy
- (2 marks for each relevant description, max. 4 marks)
- (c) Measures: 4
- formal and regular meetings
 - written rules and procedures
 - informal mechanisms
- (2 marks for each relevant measure, max. 4 marks)
- (d) Steps: 8
- forecast manpower demand: e.g. plan for the expansion and IT development
 - estimate manpower supply: e.g. assess the turnover rate under different scenarios
 - compare manpower demand and supply: e.g. ascertain the skills deficiencies in IT development
 - develop action plan and follow up: e.g. recruitment and training
- (2 marks for each step, max. 8 marks)
- (e) Other sources of funds: 2
- invite friends and / or relatives as partners
 - delay payment to creditors / speed up collection from debtors
 - apply for bank loans / borrow money from third parties
- (1 mark for each relevant source, max. 2 marks)

Total: 26 marks

QUESTION 4

Marks

- (a) Characteristics:
- sales: low
 - profit: negative
 - costs: high cost per customer
 - customers: innovators
 - competitors: few
- (1 mark for each relevant characteristic, max. 4 marks) 4
- (b) (1) Payback period of the low-priced version:
- $\left[1 + \frac{40}{50} \right]$ years 1
- = 1.8 years 1
- (2) NPV of the low-priced version:
- $\$ \left[-70\,000\,000 + \frac{30\,000\,000}{1.1} + \frac{50\,000\,000}{(1.1)^2} + \frac{80\,000\,000}{(1.1)^3} + \frac{60\,000\,000}{(1.1)^4} \right]$ 1
- = \$99 681 033 1
- (c) Reasons: 6
- size of segment: number of customers in the general public segment is greater than that of the high income customers
 - company's resources: the company is short of capital and launching the low-priced version requires less capital and the payback period is shorter
 - company's objective: making the 4D portable electronic game device more affordable meets the company's objective
 - return/profitability: the NPV of launching the low-priced version is higher
- (2 marks for each relevant reason, max. 6 marks)
- (d) Marketing mix strategies: 8
- product: basic product
 - price: penetration pricing
 - promotion: build product awareness, heavy sales promotion
 - place: selective distribution
- (2 marks for each relevant strategy, max. 8 marks)
- (e) (1) Reason: usage / wastage of raw materials is more than estimated 1
- (2) Reason: usage / wastage of labour is more than estimated 1

Total: 24 marks

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QUESTION 9**Marks**

- (a) Steps in conducting market research:
- define the problem and research objectives 1
 - develop the research plan: 4
 - specific information needs
 - research approaches
 - sampling plan / contact methods
 - research instruments
 - implement the research plan: 2
 - data collection
 - data analysis
 - interpret and report the findings 1
- (8)
- (b) Other strategies: 12
- risk avoidance: give up some high risk segments, such as staying away from politically unrest regions
 - risk assumption: absorb the loss, such as setting up a reserve fund
 - risk transfer: transfer the risk to a third party, such as by taking out insurance
- (4 marks for each strategy, max. 12 marks)

Total: 20 marks

QUESTION 10

- Human resources management functions: 20
- orientation: communication of the company's expectations
 - training: specialist training for key departments of the company
 - development: generalised development for senior management position
 - placement (job rotation): placement during their career path
 - compensation: performance-based reward system; promotion as reward; reward highly competitive as compared to the market
 - performance evaluation: frequent feedbacks
- (4 marks for each relevant function, max. 20 marks)

Total: 20 marks

END OF PAPER 2B