

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS &
 HONG KONG ASSOCIATION FOR BUSINESS EDUCATION
 HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION 2017/18
BUSINESS, ACCOUNTING AND FINANCIAL STUDIES
MOCK EXAMINATION
PAPER 1
(SUGGESTED MARKING SCHEME)

SECTION A (60 marks) Multiple-choice Questions

Suggested Answers for Multiple Choices: 30@2% = 60%

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

Section B (30 marks)

General Principles of Marking

- The answers given in this marking scheme are 'suggestions' only. Other relevant answers will also be accepted.
- Where the number of points required is specified in a question, markers will mark the first listed points up to the number required, and cross out other points as 'excess'.
- The general guidelines for points which are awarded 0 to 2 marks each are as follows:
 - 0 mark : irrelevant or ambiguous answers
 - 1 mark : mention of key concept or words
 - 2 marks : explanation of the concept stated

(Suggested Answers)

SECTION B (30 marks) Short Questions**Part I**

Question 1

(a)		Government Department	Public Enterprise	
	1. Legal entity	Not a legal entity	A separate legal entity established by a statute	2
	2. Profit making or Mode of operations	Not a profit making organization/ Not running on commercial principles/	Profit oriented/ Run on commercial principles/	
	3. Management	Governed by officials assigned by the Government	Governed by a board of directors appointed by the government	
	4. Finance	Financial resources come from Government	Finance is independent from Government	
	(1 mark for each correct answer, max. 2 marks)			

(b)	<p>Technological factor:</p> <ul style="list-style-type: none"> - Security of Using Internet e.g. Internet fraud & scams, credit card fraud/payment security, stealing of customers' personal data, counterfeit website, viruses/hacker attacks - System stability e.g. the stability of the network/Wi-Fi system/online selling platform - Advancement of technology e.g. faster internet speed, new transmission protocol <p>(2 marks for each relevant factor with elaboration, max. 2 marks)</p>	2
	<p>Social-cultural factor:</p> <ul style="list-style-type: none"> - Consumers' preference/acceptance/trend of online buying/popularity of online shopping - Computer literacy of the population/Technology skill of customers <p>(2 marks for each relevant factor with elaboration, max. 2 marks)</p>	2

Question 2

(a)	<p>Reasons for the importance of maintaining a good personal credit record:</p> <p>Easier application for consumer credit (1) If the borrower's personal credit record is good, the credit provider may approve the application in a shorter period of time.</p> <p>Better terms and conditions (1) A person who has a good personal credit record is generally charged a lower interest rate when he applies for a loan. OR longer repayment period OR greater amount of credit (1 mark for each relevant reason, max. 2 marks)</p>	2
(b)	<p>Difference between revolving personal loan and instalment loan</p> <p>Flexibility of loan repayment Revolving personal loan allows consumer to <u>repay by irregular or lump-sum payments anytime</u>(1) while instalment loan requires consumers to <u>repay with equal periodic payments</u> over time. (1)</p> <p>Pattern of drawing the loan Revolving personal loan allows consumers <u>to draw credit as long as the total amount of credit is within a limit</u> (1). Instalment loan is a kind of credit that allows the consumer <u>to draw credit limited to a specified amount in one go.</u> (1)</p>	4

Question 3

(a)	<p>Business entity concept has been violated./ Entity concept (1) Business entity concept states that the business and <u>its owner</u> are <u>two separate entities</u>.(1) <u>Private/Personal</u> assets/transactions should not be recorded in the company's book. (1) OR Since the antique motor car is not used in the business (just for the transportation of Peter's son), it should not appear in the statement of financial position of the company. (1) OR Since the antique motor car is not used in the business, the purchase of the car should be treated as drawings. (1) (1 mark for each relevant elaboration, max. 1 mark)</p>	3
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(b)

2017

June 30	Dr. Drawings	\$700,000		0.5
	Cr. Other Payables/ Account payables		\$700,000	0.5

Question 4

(a)	<p>Division of work (1) (Division of labour is acceptable but not recommended)</p> <ul style="list-style-type: none"> - The production process is broken down into many different tasks (1) <p>OR</p> <ul style="list-style-type: none"> - Each worker concentrate on one or a few tasks (1) <p>OR</p> <ul style="list-style-type: none"> - Each department should specialize in one function. (1) <p>(1 mark for each relevant elaboration, max. 1 mark)</p>	2
(b)	<p>Advantage to employees</p> <ul style="list-style-type: none"> - As they repeat their tasks many times, they can become skillful; hence, their confidence or satisfaction is increased. (1) <p>OR</p> <ul style="list-style-type: none"> - Workers can work faster; hence, they can have more return or more leisure time. (1) <p>(1 mark for each relevant advantage, max. 1 mark)</p> <p>Disadvantage to employees</p> <ul style="list-style-type: none"> - Employees would feel bored due to repetition of work. (1) <p>OR</p> <ul style="list-style-type: none"> - Difficult for employees to change their occupation as their skills are too specialised. (1) <p>OR</p> <ul style="list-style-type: none"> - Lower job motivation due to repetition of work. (1) <p>(1 mark for each relevant disadvantage , max. 1 mark)</p>	2

Part II

Question 5

(a)	Kingsley			Format = 0.5 (NP must be double underlined)
Income statement for the year ended 31 December 2017				
	\$	\$	\$	
Sales (b.f.)		630,000		0.5
Less: Returns inwards		<u>40,000</u>	590,000	0.5
Less: Cost of goods sold				
Opening inventory		60,000		0.5
Purchases(144,000 + 200,000)	344,000			0.5
Less: Returns outwards	<u>20,000</u>	<u>324,000</u>		0.5
		384,000		
Less: Closing inventory		<u>30,000</u>	<u>354,000</u>	0.5
Gross profit			236,000	
Add: Discounts received			<u>3,000</u>	0.5
			239,000	
Less: Expenses				
Operating expenses			<u>62,000</u>	0.5
Net profit			<u><u>177,000</u></u>	0.5

(5 marks)

(b)	<p>The importance of planning</p> <ul style="list-style-type: none"> - Clarifying the roles of each person (1) <p>OR</p> <ul style="list-style-type: none"> - Setting goals or objectives (1) <p>OR</p> <ul style="list-style-type: none"> - Making alternative arrangements to handle potential problems (1) <p>OR</p> <ul style="list-style-type: none"> - Helping managers build organisational strengths and reduce weaknesses (1) <p>OR</p> <ul style="list-style-type: none"> - Facilitating the process of controlling (1) <p>OR</p> <ul style="list-style-type: none"> - Better utilize/allocate the resources in order to reduce wastes (1) <p>(1 mark for each relevant importance, max. 1 mark)</p>	1
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(c)	<p>The interrelationship between human resources management and operations management</p> <ul style="list-style-type: none"> - The human resources managers help in recruiting workers of right number and quality according to the requirements of production process designed by the operations managers. - Operations managers set the quality standard while human resources managers help to provide staff with relevant training so that staff are able to produce products up to standard. - Based on the quality and quantity of workers' output, human resources managers develop a reward system for the workers in which the operations managers assist in monitoring their output in the new product line. <p>(2 marks for each relevant point, max. 4 marks)</p>	4
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Question 6

(a)

Trade receivables

2017		\$	2017		\$	
	Jan 1	Balance b/f	30,000	Dec 31	Bank (b.f.)	400,000 0.5
0.5	Dec 31	Sales – credit	500,000	Dec 31	Returns inwards	40,000 0.5
				Dec 31	Balance c/f	90,000 0.5 for both balances
			<u>530,000</u>			<u>530,000</u>

Bank

2017		\$	2017		\$	
	Jan 1	Balance b/f	53,000	Dec 31	Purchases	144,000 0.5
0.5	Dec 31	Trade receivables (from above)	400,000	Dec 31	Trade payables	150,000 0.5
0.5	Dec 31	Sales – cash (b.f.)	130,000	Dec 31	Operating expenses	62,000 0.5
				Dec 31	Balance c/f	227,000 0.5 for both balances
			<u>583,000</u>			<u>583,000</u>

(5 marks)

(b)	The number of subordinates that a manager or supervisor can directly control.	1
(c)	<p>Unity of direction (1)</p> <ul style="list-style-type: none"> - Unity of direction ensures that all employees follow the same plan and have the same goal. (1) <p>OR</p> <ul style="list-style-type: none"> - Each part of the whole plan is led by only one manager. (1) <p>OR</p> <ul style="list-style-type: none"> - There should be only one plan for a group of activities that have the same objective. (1) <p>OR</p> <ul style="list-style-type: none"> - Kingsley could not co-ordinate different goals suggested by Alan and Bob. (1) <p>(1 mark for each relevant point, max. 1 mark)</p>	2
(d)	<p>The social responsibility of a purchaser/debtor like Kingsley is to repay its debts to his suppliers/ creditors on time. (1)</p> <p>If the payment is late, Kingsley may lose his credibility and the trust of the suppliers. (1)</p> <p>OR</p> <p>Suppliers may terminate the contract and stop further supplies of raw materials. (1)</p> <p>OR</p> <p>The reputation/goodwill may be adversely affected. (1)</p> <p>OR</p> <p>Other suppliers may refuse Kingsley's orders of credit purchase in the future. (1)</p> <p>(1 mark for each relevant point, max. 1 mark)</p>	2

End of Paper