

**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	A	D	A	B	A	A	B	D	D
11	12	13	14	15	16	17	18	19	20
C	D	A	D	A	D	C	C	C	C
21	22	23	24	25	26	27	28	29	30
A	B	D	C	C	B	B	C	B	B

## Section B (30 marks)

## General Principles of Marking

1. The answers given in this marking scheme are ‘suggestions’ only. Other relevant answers will also be accepted.
2. 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’.
3. 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 1**

## Question 1

Marks

1(a) One economic factor

2 marks

- Exchange rate (importing foods from Japan, capital transfer to and from Japan)
- Interest rate (comparing the borrowing costs in HK and Japan to decide where to raise the funds)
- Tax rate (comparing the level of profits tax)
- Level of operating costs (level of rental cost, wages level etc.)

(1 mark for title and 1 mark for elaborations, max. 2 marks)

1(b) Considerations that affect Manson's investment decision

4 marks

(1) Positive relationship between risk and return / Trade-off between risk and return

of shares and debentures (1)

Share is an instrument of higher risk and higher expected return

Or Debenture is an instrument of lower risk and lower expected return. (1)

(2) Manson is married with a child. He has a stable income but need to prepare a large education fund for his child, therefore, he is willing to accept a higher level of risk. (1) He may invest in high-risk financial products, such as shares. (1)

Or

Manson is married with a child. He needs to prepare an education fund for his child and his risk tolerance level is low. (1) He may invest in low-risk financial products such as debentures. (1)

(1 mark for the decision and 1 mark for explanation, max. 2 marks)

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6 marks

## Question 2

2(a) Nominal partner

1 mark

2(b) It violated consistency concept (1)

3 marks

The accounting treatment of similar items within each accounting period and from one period to the next should be the same. (1)

The clinic can only change the depreciation method it uses if such a change is necessary and can reflect more accurately financial position and results of the business. or

Changing the depreciation method to present a greater asset figure or report a higher profit is not a reasonable cause. (1)

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4 marks

## Question 3

Marks

3(a) Two steps in the planning process

2 marks

- Gather useful and relevant information to understand the problems that need to be solved. e.g. any other misuse of company resources such as inappropriate sick leave.
- Develop alternatives for the training programme
- Choose among alternatives for the training programme
- Formulate the implementation plan with successful evaluation criteria (1 mark for each step, max. 2 marks)

Not acceptable:

Develop forecasts and planning assumptions AND

Identifying the goals/ establishing objectives

cannot be accepted because the CEO has already decided to plan a programme for raising employees' awareness of business ethics.

3(b) Two ways to enhance awareness of business ethics of the employees

4 marks

- Recruitment and selection / Staffing / Placement : Select employees with better ethics standard during job interviews or promotion
- Performance management / Compensation and benefits management : Reward ethical behavior / Punish unethical behaviour to remind employees of the importance of business ethics
- Codes of conduct / Guidelines and regulations : Prepare and announce official codes / guidelines / regulations to establish the norms of ethics standard for every staff to follow

(2 marks for each ways, 1 mark for HR function and 1 mark for HR job, max. 4 marks)

Not acceptable:

- Manpower planning/Human resources planning (Not relevant)
- Training and development (Already chosen)

6 marks

## Question 4

## Owen's account (in books of Fong)

2019		\$	2019		\$	
0.5	Jan 1	Sales (18000x92%)	16,560	Jan 12	Bank/Cash (18000x92%)	16,560 0.5
1	Jan 13	Sales (20000x92%)	18,400	Jan 20	Sales returns (1000x92%)	920 0.5
0.5	Jan 15	Sales [(21850/92%/95%) – 20000 + 1000] x 92%	5,520	Jan 22	Bank	21,850 0.5
				22	Discounts allowed (21850/95% x 5%)	1,150 0.5
			<u>40,480</u>			<u>40,480</u>

**Part 2**

## Question 5

5(a)

Ken Trial balance as at 31 December 2019			
	Dr.	Cr.	Marks
	\$	\$	
Capital as at 1 January 2019 (bal.fig)		36,800	0.5
Inventory as at 1 January 2019	3,000		0.5
Purchases	17,000		} 0.5
Sales		36,000	}
Carriage outwards	7,500		0.5
Carriage inwards	500		0.5
Loans to owner (repayable within 14 months)	24,000		0.5
Deposits to suppliers (refundable) (2x21,000-9,000)	33,000		1
Interest income		200	} 0.5
Accounts payable		21,000	}
Marketable securities	9,000		0.5
	94,000	94,000	

(5)

5(b) Flat structure

1 mark

5(c) Changing from flat structure to tall structure:

4 marks

	Flat structure	Tall structure	Explanation
Chance of promotion	Fewer	More	Tall structure has a longer career path/different ranks (1) so that the subordinates have more chances of promotion (1).
Span of control (Support to subordinates)	Wider (Fewer)	Narrower (More)	Under tall structure, the span of control of superiors are narrower / Each superior monitors fewer employees (1). The superiors can provide more guidance / more support / better communication to their subordinates. (1)

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

10 marks

## Question 6

6(a)

Ken		Marks
Income statement for the year ended 31 December 2019		} 0.5
	\$	\$
Sales		36,000 } 0.5
<b>Less: Cost of goods sold</b>		
Opening inventory	3,000	} 0.5
Add: Purchases	17,000	}
Carriage inwards	500	0.5
	20,500	
Less: Closing inventory (bal.fig.)	700	0.5
Gross Profit (36,000 x 45%)		16,200 } 1
Add: Interest earned		200 } 0.5
		16,400
<b>Less: Carriage outwards</b>		7,500 } 0.5
Net Profit		8,900 } 0.5
		(5)

6(b) Management by objectives

1 mark

6(c) MBO can help motivate employees in the following:

4 marks

- Subordinates can take part in the goal setting process (1) and gain satisfaction in the process (1).
- Better communication between superiors and subordinates (1) would improve their relationship and satisfaction (1).
- Immediate feedback/support can be provided by the superiors (1) so that the subordinates can work more efficiently and happily (1).

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

10 marks

**End of Paper**