

\* 15. If a public limited company goes public, which of the following statements will be true?

- A. Existing shareholders can share the proceeds received from the issue of new shares.
- B. The company will be subject to higher profits tax rate.
- C.** Shares can be transferred on the stock exchange.
- D. All of the above

\* 16. Which of the following is a common characteristic of nominal partners and limited partners?

- A.** Cannot take part in running the business
- B. Disclose identity
- C. Enjoy limited liability
- D. None of the above

Generally, a limited partner does not disclose identity and he/she only invests capital in the partnership.

\* 17. Which of the following about the differences between public enterprises and private enterprises is/are correct?

	Public enterprise	Private enterprise
(1) Charges for services	No	Yes
(2) Separate legal entity	No	Depending on the form of business ownership
(3) Major owners	Government	Private investors

- A.** (3) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. None of the above

**II. Short Questions** Please refer to pages 29-34 of the Supplementary Materials for the answers.

- 18. Small businesses usually operate in the form of sole proprietorship. State THREE characteristics of a sole proprietorship. (3 marks)
- 19. State TWO advantages of a sole proprietorship over a partnership. (2 marks)
- 20. Why does a limited company go public? Give TWO reasons. (4 marks)
- 21. When foreign enterprises enter a new market, many of them would form a joint venture with a local enterprise. Explain the characteristics of a joint venture in terms of legal status and management. (4 marks)
- 22. What are the advantages of multinational corporations when doing business? State any THREE. (3 marks)

23. How can multinational corporations obtain funds for operations and expansion? State  
2.8 THREE methods. (3 marks)
24. (a) What is the form of business ownership of the Transport Department? (1 mark)  
2.7  
(b) Suggest TWO advantages of this form of business ownership. (2 marks)
25. Compared with sole proprietorship and partnership, a limited company usually has  
2.4 lower flexibility in decision-making. Why? (3 marks)
- \* 26. Alice opened a boutique with four partners two years ago. As the business is growing  
2.4 fast, they have decided to convert the boutique into a private limited company and set up a new branch.
- (a) Explain TWO reasons that Alice and her friends convert the boutique into a private limited company. (4 marks)
- (b) Compare the management responsibilities of a partner and a shareholder. (2 marks)
- \* 27. Frontier was a mobile phone manufacturer. It cooperated with Mango, a consumer  
2.5 electronics brand, to establish a joint venture "Zeus" to develop new tablet computers. However, "Zeus" was terminated after one year. The chief executive of Frontier thought that Mango focused too much on marketing strategies. He also blamed that Mango was not sharing its advanced technology in the research and development of new products, causing the failure of "Zeus".
- (a) Explain TWO possible reasons that Frontier developed new tablet computers by forming joint venture. (4 marks)
- (b) Why Frontier cannot enjoy "synergetic effect" by forming joint venture with Mango? Explain TWO reasons with examples. (4 marks)
- \* 28. Albert had \$400,000 savings and planned to use the funds to start up his own business.  
2.6 He planned to sell frozen yogurt but he lacked relevant experience and knowledge. Albert finally decided to join a brand "Yogurt Fever" as a franchisee to reduce business risks.
- (a) How could Albert reduce business risks by entering into a franchise agreement? Explain with TWO examples. (4 marks)
- (b) What are Albert's responsibilities as a franchisee? State TWO. (2 marks)

→ Students should note that this question should be answered from the franchisee's point of view.