

BAFSSCHOOL OF THE HONG KONG ECONOMIC TIMES
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION
MOCK PAPER 2017 (B4b)

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES

PAPER 1

Time allowed: 1 hour 15 minutes
This paper must be answered in English

GENERAL INSTRUCTIONS

1. This paper consists of **TWO** sections, A and B. Section A carries 60 marks and Section B carries 30 marks.
2. Section A consists of multiple-choice questions. Section B contains short questions.
3. 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.

SECTION A (MULTIPLE-CHOICE QUESTIONS)

INSTRUCTIONS

1. There are 30 questions in this paper. "END OF SECTION A" will be printed after the last question.
2. All questions in this section carry equal marks.
3. **ANSWER ALL QUESTIONS.**
4. You should choose only **ONE** answer for each question.
5. No marks will be deducted for incorrect answers.

SECTION A (60 marks)

There are 30 questions in this section. Answer **ALL** questions. Choose the **best** answer for each question.

1. Miss Chan is in charge of leading a group of summer interns, so as to finish some data entry tasks. She should use _____ because _____.
- A. free-rein leadership the task is simple
 - B. autocratic leadership the subordinates are inexperienced
 - C. autocratic leadership the subordinates are responsible
 - D. participative leadership the subordinates are inexperienced
2. Business ethics _____.
- (1) is a set of moral rules that a business must follow when making decisions
 - (2) emphasises that a business should care for the interests of all the stakeholders
 - (3) is a set of moral rules that governs business activities
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
3. Which of the following descriptions about the manager and an entrepreneur is correct?
- A. The manager needs conceptual skills, while an entrepreneur does not.
 - B. An entrepreneur needs to make decision, while a manager does not.
 - C. The income of an entrepreneur is higher than that of the manager.
 - D. An entrepreneur needs to bear the risk in the market, but the manager does not.
4. A firm borrowed a loan from Jade, one of the owner's friends, to purchase a property. Which of the following are the effects of this transaction on the statement of financial position?
- (1) Capital increases
 - (2) Total non-current assets increase
 - (3) Total non-current liabilities increase
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

5. On 1 January 2017, Pearl started her business by depositing her own cash \$140 000 into the firm's bank account and introducing a piece of equipment costing \$70 000 into the firm. In addition, the firm borrowed a loan \$50 000 to buy a machine. Before the business is started, there were cash \$4 500.

Calculate the amount of Pearl's capital as at 1 January 2017.

- A. \$160 000
B. \$164 500
C. \$210 000
D. \$214 500
6. Which of the following items will decrease the amount of net purchases?
- (1) Returns of goods from customers
(2) Carriage inwards charged by suppliers
(3) Trade discounts given by suppliers
- A. (1) only
B. (3) only
C. (1) and (2) only
D. (2) and (3) only
7. Which of the followings are the rights of a preference shareholder?
- (1) Obtaining the financial statements of the company.
(2) Voting in the annual meeting.
(3) Receiving dividends.
(4) Getting back the capital prior to debenture holders when the company goes bankrupt.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (2) and (4) only
8. In a statement of financial position,
- A. non-current assets are shown in the descending order of durability.
B. current assets are shown in the descending order of liquidity.
C. non-current liabilities are shown in the ascending order of maturity.
D. current liabilities are shown in the ascending order of liquidity.

9. Which of the followings are the criteria of selecting constituent stocks in the Hang Seng Index (HSI)?
- (1) The representation of the sub sectors within the HSI
 - (2) The financial performance of the company
 - (3) The market capitalization and turnover of the company
- 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 statement about Small and Medium Enterprises (SMEs) is CORRECT?
- A. SMEs cannot be listed companies
 - B. There is only one owner in SMEs.
 - C. A majority of business units in Hong Kong are SMEs.
 - D. The expenditures of SMEs are huge.
11. Which of the following are the limitations on the use of financial statements?
- (1) Information is mostly quantitative.
 - (2) Data neglects the time value of money.
 - (3) Reporting results can be manipulated by using different accounting methods.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
12. Which of the following indicate(s) that the profitability of a business gets worse?
- (1) Bank overdraft arises
 - (2) Sales decreases
 - (3) Returns outwards increases
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

13. Which of the followings on net present value (NPV) is CORRECT?
- A. When the present value of cash inflows is more than the present value of cash outflows in an investment project, the firm should accept the project.
 - B. NPV is equal to cash inflows less cash outflows.
 - C. When the NPV of an investment project is zero, it will bring along loss to the firm.
 - D. All of the above
14. In the Mainland, many enterprises develop their businesses by franchise. Which of the followings is an advantage of franchise to a franchisor?
- A. To enhance the goodwill of headquarter.
 - B. To enjoy the goodwill of the headquarter
 - C. To obtain joining fee.
 - D. To obtain the assistance from the headquarter.
15. Which of the following is a way to enhance business ethics?
- (1) Establish code of ethics for daily operations
 - (2) Provide training and education about the importance of business ethics
 - (3) Emphasise business ethics during recruitment
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
16. Skyline Airline is a Hong Kong airline enterprise. Which of the followings is a firm-specific risk for the shareholders of Skyline?
- A. Uncertainty of Brexit.
 - B. A global financial tsunami.
 - C. The striking of the Skyline workers.
 - D. The global economy is in recession.

17. The following double entries is correct?

	Transaction	Account to be debited	Account to be credited
(1)	The landlord returned the rental deposit by cheque to the firm.	Bank	Rental deposit
(2)	The owner paid the electricity for the firm.	Electricity	Capital
(3)	The firm returned a machine to the supplier with cash refund.	Cash	Returns outwards

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

18. Miss Cheung is a team leader of a garment manufacturing factory and she is responsible for directing front line salespersons worker.

Her superior is Mr Ho, the district manager thinks that Miss Cheung is not good at leading, so he directs the front line workers without notifying Miss Cheung. Which of the followings is/are CORRECT?

- (1) The front line workers may find it confusing.
 (2) Mr Ho violates unity of command, the principle of effective management.
 (3) The action of Mr Ho does not conform to his job responsibility.
- A. (1) only
 B. (1) and (3) only
 C. (2) and (3) only
 D. (1), (2) and (3)

19. Which of the following is the function of financial management?

- A. Search for the supplier selling cheaper cloth
 B. Staff performance management
 C. Ensure the enterprise has sufficient cash to pay the salary
 D. Select target market

20. Which of the followings statement about the procedure(s) of the controlling process is incorrect?

- A. If the actual performance differs from the standard, the standard needs to be adjusted immediately.
 B. Measurement of actual performance.
 C. Determine the criteria of controlling.
 D. The survey of actual performance must be carried out regularly.

21. Which of the following statement about Management by Objective (MBO) is correct?
- A. Management by objective will increase paperwork.
 - B. Division of work can necessarily improve the efficiency.
 - C. Unity of direction means that each subordinate needs to report to one superior only.
 - D. Unity of command means that only managers can make decisions.
22. Which of the following is an expense?
- (1) Cash discounts
 - (2) Trade discounts
 - (3) Stationery
- A. (2) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (1) and (3) only
23. Ms Lee is a young single university graduate who has worked for two years. Which of the following are her financial planning priorities?
- (1) Create and accumulate wealth
 - (2) Prepare for her retirement
 - (3) Plan for further study
 - (4) Plan for her children's university education fee
- A. (1) and (2) only
 - B. (2) and (3) only
 - C. (1) and (3) only
 - D. (2) and (4) only
24. Which of the followings on Mandatory Provident Fund (MPF) Scheme are CORRECT?
- (1) Employees with monthly relevant income of \$7,100 or below are not required to contribute to the scheme.
 - (2) All citizens are required to join an MPF scheme.
 - (3) Apart from mandatory contributions, both the employer and the employee can opt to make extra voluntary contributions.
 - (4) Investment risks of an MPF scheme are entirely borne by employees.
- A. (1) and (2) only
 - B. (2) and (3) only
 - C. (1), (3) and (4) only
 - D. (1), (2), (3) and (4)

25. The sales of a company for the year ended 31 March 2017 is amounted to \$300 000. It adopts a standard mark-up of 60%. The cost of goods sold for the year ended 31 March 2017 was:

- A. \$112 500
- B. \$120 000
- C. \$180 000
- D. \$187 500

26. An owner of a firm usually took the postage and stationery in the office for his own use. The book-keeper thinks that it is the owner's business and hence does not make any records. According to (1) , it should be recorded as (2) .

	<u>(1)</u>	<u>(2)</u>
A.	accrual concept	business expenses
B.	historical cost concept	business expenses
C.	business entity concept	drawings
D.	consistency concept	drawings

27. The process of setting targets and determining action plans so as to achieve an objective is_____.

- A. planning
- B. leading
- C. controlling
- D. organising

28. Which of the followings is a social factor affecting business decisions?

- A. With the serious problem of air pollution in Hong Kong, many foreign enterprises refuse to set up subsidiary companies in Hong Kong.
- B. With the problem of ageing population in Hong Kong, a Chinese businessman decides to start up elderly home in Hong Kong.
- C. With the proximity of Hong Kong and China, many foreign enterprises take Hong Kong as a stepping stone to invest in China
- D. With the worsening of Chinese-American relationship, American enterprises plan to reduce investment in China.

29. Which of the following descriptions about a public enterprise is correct?
- (1) Public enterprises pursue profit maximization.
 - (2) People operating public enterprises are entrepreneurs.
 - (3) The price of goods and services provided by public enterprises is lower than market price.
 - (4) Public enterprises may record a loss.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (4) only
 - D. (3) and (4) only
30. Which of the following statements about the differences between a private limited company and a public limited company is incorrect?
- A. The shareholders of the former can enjoy higher power of control than that of latter.
 - B. The former bears limited liability while the latter bear unlimited liability.
 - C. The number of shareholders of the former is limited, while that of the latter is unlimited.
 - D. The former cannot issue shares to the public while the latter can.

END OF SECTION A

SECTION B (30 marks)

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

1. Mr. Chan owns an individual company and can enjoy unlimited liability. Mrs. Wong, on the other hand, is one of the owners in clothes manufacturing company which is not the legal entity. She can involve the company's management.

- (a) State the types of business ownership of Mr. Chan and Mrs. Wong respectively. (2 marks)
- (b) Give two reasons to explain why the type of business ownership of Mr. Chan is better than that of Mrs. Wong. (4 marks)

Hong Kong is facing the economic fluctuation from the Briexit.

- (c) Explain two economic factors that Mrs. Wong should consider for business decision (4 marks)

2. Flora is the sole owner of the Happy Company. The following balances as at 31 December 2016 were obtained from the firm:

	\$
Cost of goods sold	75 000
Inventory	5 000
Purchases	70 000
Sales	140 000
Current Assets	20 000
Current liabilities	15 000

- (a) List two functions of accounting ratio. (2 marks)
- (b) Calculate current and quick ratios with the above information. (4 marks)
3. Jackie is a new employee. He has been ordered to improve the quality and quantity respectively by two managers in the department. Explain which two principles of effective management have been violated. (4 marks)

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

4. Johnny is a sole trader of a retail business without any accounting experience. On 31 March 2017, his book-keeper has made the following entries:

	<u>Debit</u>	<u>Credit</u>
(i)	Postage	Cash
(ii)	Rent and rates	Capital
(iii)	Returns inwards	Trade receivables
(iv)	Motor van	Loan from Lee
(v)	Drawings	Purchases

- (a) State the transaction details for each of the above independent entries. (5 marks)

Johnny decides to make use of his savings to invest in Hong Kong stock market. Now, he is seeking advice from brokers as he has seldom invested in Hong Kong stock market.

- (b) State one responsibility of an individual investor. (1 mark)
- (c) What is Hang Seng Index? Briefly explain. (2 marks)

At last, Johnny decides to use part of his savings to place a time deposit in a bank and expects to have \$1 500 000 after three years.

- (d) If the bank offers an annual interest rate of 4% for the time deposit, how much money does Johnny have to deposit today? (Note: Interest is compounded annually. Correct all amounts to the nearest dollar.) (2 marks)

(Total: 10 marks)

5. Melvin is a sole trader of a restaurant without any accounting experience. Recently, he paid the repairs cost of his son's glasses in cash from the business cash till. His book-keeper has made the following entries:

	Debit	Credit
	\$	\$
Repairs and maintenance	2 000	
Cash		2 000

- (a) State and briefly explain the accounting principle or concept that has been violated for the above entries. (3 marks)
- (b) State the correct double entries for the above. (2 marks)

Melvin has a clerk who was employed on 1 March 2017.

- (c) Should the business make the mandatory provident fund contribution to this clerk on 31 March 2017? Briefly explain. (2 marks)
- (d) Financial management can support the human resources department of a company in different ways. List three of them. (3 marks)

(Total: 10 marks)

END OF PAPER

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BUSINESS, ACCOUNTING AND FINANCIAL STUDIES

PAPER 2B

BUSINESS MANAGEMENT MODULE

Time allowed: 2 hours 15 minutes

This paper must be answered in English

INSTRUCTIONS

1. This paper consists of THREE sections, A, B and C. Section A carries 24 marks, Section B carries 36 marks and Section C carries 20 marks.
2. Answer ALL questions in Section A and B. You only have to answer ONE of the two questions in Section C.

SECTION A (24 marks)

Answer **ALL** questions in the section.

1. Suppose the flour supplier plans to adopt a flexible accounts receivable policy at the bakery. State three factors that the flour supplier should consider. (6 marks)
2. State two reasons to explain why most of the civil servants are paid by time rate. (4 marks)
3. The property management company of a large housing estate plans to recruit a large number of security guards. Give two reasons to explain why job fair is a suitable recruitment method. (4 marks)
4. For each of the following financing methods, state one situation where it should be adopted by a enterprise.
 - (a) Long-term financing (2 marks)
 - (b) Debt financing (2 marks)
5. Company ABC plans to launch a new product and conduct a sample survey to collect consumers' opinion. State three factors that the marketing department staff should consider in order to obtain a representative sample, (6 marks)

SECTION B (36 marks)

Answer **ALL** questions in the section.

6. Mayee Pizza Chain Store has ten stores in Hong Kong. Due to high rental costs, Peter, the General Manager of the group decides to stop extending the number of stores, but plans to offer 24-hour online ordering service. Therefore, a preparatory meeting is held by the senior management of the group.

The proposal written by Tommy, the Head of the Operating Department, indicates that the total investment would be \$5.5 million if an online ordering system is launched and a delivery team is formed with the latest server and ten modified motorbikes. Mabel, the Head of Marketing Department, suggests that the new service can target at young men who dislike dining out. She believes that an extra revenue of \$1 million per annum could be brought.

However, Mary, the Head of Human Resources Department, has reservations about the new service and raises two queries. First of all, the couriers deliver food on busy roads every day, and therefore there is a high chance of traffic accidents in which the couriers may get hurt or even die; so she thinks the company should take out labour insurance. Also, cooks would experience much pressure after launching the order service. She says, "The Executive Chief requests for an increase in staff, otherwise, there might be a drop in food quality."

- (a) (i) Calculate the payback period of the online ordering program. (1 mark)
- (ii) Give two reasons to explain why the payback period is not an appropriate method to evaluate the online ordering project. (4 marks)
- (b) With reference to the criteria for evaluating a market segment, why can the young men who dislike dining out be an effective market segment for online ordering services? Give three reasons to explain. (6 marks)
- (c) The couriers may encounter the traffic accidents. Is it an insurable risk or a non-insurable risk? Give two reasons to explain. (5 marks)
- (d) Apart from hiring more full time cooks, suggest one method to relieve the shortage of cook. (2 marks)

(Total:18 marks)

7. High Airline specialised in operating flights between this city and the cities of Country A. The passenger growth gradually slowed down in the last two years, and it may even fall. The company's senior managers were discussing how to deal with it.

Miss Wong, the manager of Marketing Division, explained, "Passengers of Country A is having more and more requests, and the wants of the new generations change a lot as well. Take catering as an example. Recently many people from Country A stop eating beef, but beef is always offered as a main course in at least one of the two airplane meals for economy class. So, many complain the lack of choice in our airplane meals. We need to improve our relationship with the customers."

Mr. Tse, the manager of Catering Division replied, "Most of the staff members who design the menu have only designed menu for local cuisine before. We can send them to the culinary school of Country A for a short course for understanding the food culture there."

Mr. Kwan from the Human Resources Division agreed with that. "Off-the-job training is a suitable choice," he said, "The number of passenger's complaints rises continuously, and some of the passengers have very poor attitude towards our flight attendants, making them stressful and frustrated. The staff turnover rate of last month is the highest in the past two years." Miss Fan, the supervisor of Flight Attendant Division, proposed to increase the outing allowance of flight attendants, nevertheless, Mr. Kwan believed this might not be an effective measure to motivate staff.

- (a) Taking flight attendants as an example, give three characteristics of services. (6 marks)
- (b) Suggest two method to the High Airline in order to raise the customer loyalty. (4 marks)
- (c) Give two reason to explain why off-the-job training is more suitable to the staff members in the Catering Division of High Airline. (4 marks)
- (d) According to the theories below, explain why the increase in allowance may not be able to motivate the staff.
- (i) Herzberg's Two-Factor Theory (2 marks)
- (ii) Maslow's Hierarchy of Needs Theory (2 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in the section.

8. A travel agent plans to develop a smart phone app.
- (a) From the point of view of financial management, explain why the budgeting is required. (8 marks)
 - (b) The travel agent will recruit programmer. How can the management evaluate the ability of the candidates? (12 marks)
- (Total:20 marks)
9. Korean food becomes famous in Hong Kong. An American fried chicken chain will introduce Korean fried chicken.
- (a) Conduct a SWOT analysis for the fried chicken chain. (8 marks)
 - (b) The American fried chicken chain received some complaints that the waiting time is very long. Describe the performance management process for the front-line staff of the fried chicken chain. (12 marks)
- (Total:20 marks)

END OF PAPER

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建議答案

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BUSINESS, ACCOUNTING AND FINANCIAL STUDIES SUGGESTED SOLUTION

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B3a / B4a Paper 1 Section A

1	A	6	A
2	B	7	D
3	B	8	B
4	C	9	A
5	A	10	C

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

1. Ans: A

(3) is incorrect. Business competition cannot be avoided.

2. Ans: B

It means Gilbert is an account receivable of Fantasy Company.

3. Ans: B

A is incorrect. Hong Kong is highly external-oriented. The economy conditions of other regions have a large impact on the economic development of Hong Kong. B is correct. There are a large number of small and medium enterprises in Hong Kong. C is incorrect. Most of the labour force engaged in the service sector, that is tertiary production. D is incorrect. Hong Kong is a capitalist economy. There is little government intervention and most of the resources are privately owned.

4. Ans: C

w:

Gross profit – Selling and administrative expenses
– Operating expenses = Net profit

∴ Gross profit

= Net profit + Selling and administrative expenses
+ Operating expenses
= \$80 000 + 90 000 + 160 000
= \$330 000

Sales – Cost of goods sold = Gross profit

Sales = Gross profit + (Opening inventory +
Purchases + Carriage inwards – Closing inventory)

∴ Sales = \$330 000 + (67 000 + 250 000 + 64 000
– 102 000) = \$609 000

5. Ans: A

(1) is correct. Effectiveness refers to the pursue of an appropriate goal.

(2) and (3) are incorrect. To fully utilise the resources of the enterprise is the definition of efficiency. To finish tasks with the least cost is the outcome of fully utilise resources of the enterprise. These two options do not have direct relationship with effectiveness.

6. Ans: A

A is correct and B is incorrect. Credit card belongs to revolving credit. It does not involve a fixed deadline or number of payments to repay the loan in full. C is incorrect. Credit card belongs to non-mortgage personal loans. Borrowers do not have to provide collaterals. D is incorrect. Credit card does not involve a fixed repayment amount.

7. Ans: D

Correct entries:

	Transaction	Account to be debited	Account to be credited
A	Paid rent in cash	Rent	Cash
B	Paid overdraft interest via bank account	Interest	Bank
C	Received a cash refund due to the electricity being overcharged	Cash	Electricity

8. Ans: B

(2) is incorrect. A trial balance shows all of the account balances at a specified date.

9. Ans: A

Bank overdraft is a current liability.

Bank loan is a non-current liability.

Inventory loss is an expense and it should not be shown on the statement of financial position.

Purchases should be shown in an income statement, instead of the statement of financial position.

Equipment is a non-current asset.

Inventory is a current asset.

10. Ans: C

A is incorrect. MPF scheme members who are aged 65 or above can withdraw their money as a lump sum. B is incorrect. MPF scheme members who will leave Hong Kong permanently can withdraw their money as a lump sum.

C is correct. MPF scheme members who are with total incapacity can withdraw their money as a lump sum.

11. Ans: B

(1) is correct. Site of branches involves operations management. An ideal site can reduce transportation cost and time, production process can then run smoothly.

(2) is incorrect. Marketing management refers to the determination of effective plans, so that sellers will sell the appropriate products or services to the buyers, based on the needs of the buyers. Such planning does not involve marketing management.

(3) is correct. Methods of financing involve financial management.

(4) is incorrect. Human Resources Management means talent management and arrange suitable persons to perform the role. The above planning does not involve Human Resources Management.

12. Ans: C

According to historical cost concept, all items should be recorded at acquisition cost.

13. Ans: D

w:

Gross profit = \$380 000 – (12 000 + 240 000 – 6 000 – 23 000) = \$157 000

Net profit = \$157 000 – 90 000 = \$67 000

Gross profit ratio = (157 000/380 000) × 100% = 41.32% (to 2 decimal places)

B is incorrect. There is no sufficient information to determine the return on capital employed.

C is incorrect. Without comparison, we cannot comment the accounting ratio is high or not.

14. Ans: B

(1) is correct. With globalisation, a firm does not only face local competition but also from adjacent regions as well as around the globe. (2) is incorrect. With globalisation, integration of the labour market is encouraged. Hence, labour force will flow to places with better opportunity. (3) is correct. With globalisation, the opportunity of outsourcing production procedure elsewhere increased, production cost can be reduced.

15. Ans: A

(1) is correct. The source of capital of a partnership comes from several partners, which is more than a sole proprietorship. (2) is incorrect. A partnership is co-owned by several partners, and risk is shared among them. The risk borne by individual partner is lower than a sole proprietor. (3) is incorrect. A sole proprietor can take up all of the profits, while partners need to share the profits in a partnership.

16. Ans: A

B is incorrect. It violates the going concern assumption.

C is incorrect. It does not relate to the going concern assumption. Beside, according to the historical cost concept, the motor van should be recorded at cost.

17. Ans: C

A is incorrect. A private limited company does not need to hand in business report and yearly accounts to Companies Registry, so it can keep its business information confidential, while a public limited company needs to.

B is incorrect. The shares of private limited companies are not freely transferable. Shareholders do not need to worry about being taken over by other parties or losing the power of control.

C is incorrect. The tax rates of private limited companies and public limited companies are the same.

18. Ans: D

A is incorrect. This is a performance of fulfilling social responsibility to the government.

B is incorrect. This is a performance of fulfilling social responsibility to the creditors.

C is incorrect. This is a performance of fulfilling social responsibility to the investors.

D is correct. Installing environmentally friendly equipments can avoid environmental pollution. This is a performance of fulfilling social responsibility to the community

19. Answer is D

A is incorrect. Maintaining some of the trade barriers is one of the functions of World Trade Organisation. The aims are to protect the interest of consumers, prevent the spread of disease or protect the environment.

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B is incorrect. Co-operating with other international organisations is one of the functions of World Trade Organisation.

C is incorrect. Holding forums for trade negotiations is one of the functions of World Trade Organisation.

D is correct. Eliminating competition among countries is not one of the objectives of World Trade Organisation.

20. Ans: D

A is incorrect. A successful entrepreneur should have good management skills, including the technical skills.

B is incorrect. Many successful entrepreneurs in Hong Kong, such as Li Ka-shing, do not have high education level.

C is incorrect. The amount of capital is not the criterion to classify entrepreneur. Hawker can also be an entrepreneur.

D is correct. Entrepreneur should bear risk and face uncertainties in business operation.

21. Ans: B

A and C are incorrect. Mr. Chan sets a tight schedule for his subordinates everyday. His leadership style is autocratic leadership.

D is incorrect. The employees of the research team have different opinion on decision making. The use of free-rein leadership is not appropriate. B is correct. The research work emphasizes on creative ideas. As the employees are corporative, the participative leadership is more suitable.

22. Ans: B

A is incorrect. The scale of SMEs is usually small. They cannot raise capital by issuing bonds and shares in the market. The capital is usually from the owner. With limited capital, SMEs may close down easily due to financial difficulties.

B is correct. The owners of SMEs are free to make decisions.

C is incorrect. The market share of SMEs is usually small. If the market situation turns bad, SMEs may face difficulties.

D is incorrect. The owners of SMEs usually hire few numbers of employees. The lack of professional knowledge to manage the business, such as financial management and marketing promotion, which may lead SMEs close down easily.

23. Ans: A

A is correct and B is incorrect. Under this situation, each employee is focusing on a specific task of the whole process, which conform the principle of division of labour. Since workers are focusing on only one specific stage, they are not familiar with other stages. If changing task with other workers is required, they may feel difficult. However, division of labour can make workers become more skillful in their specialised tasks so that they will make fewer mistakes.

24. Ans: B

w:

Capital = Assets - Liabilities

Capital = (Non-current assets + Current assets) - (Non-current liabilities + Current liabilities)

$812\ 000 = (700\ 000 + \text{Current assets}) - (60\ 000 + 405\ 000)$

$\therefore \text{Current assets} = \$577\ 000$

25. Ans: D

(1) is correct. An entrepreneur will produce innovative products to remain competitive and avoid elimination. While other entrepreneurs are in the pursue of improvement, it can stimulate economic activities.

(2) is correct. The establishment of an enterprise will encourage the business of enterprises in other industries, which can create job opportunities and promote economic growth.

(3) is correct. An entrepreneur promotes the development of the enterprise as well as the industry. It can create job opportunities and promote economic growth.

26. Ans: D

(1) is correct. A good personal credit record can gain employers' trust. Employee can handle some sensitive financial duties.

(2) is correct. A good personal credit record reflects a good credit history and a lower risk in lending. Credit providers may approve loans with lower interest rate.

(3) is correct. A credit applicant with a credit report reflecting prompt payment and no excessive indebtedness will find it comparatively easy to obtain new credit.

27. Ans: C

C is correct. Developing action plan is a step of planning, but not the consequence of enterprise neglecting planning.

A is correct. Planning is the prerequisite of other functions of management. Without planning, there will be no objective and specific action plan. There will be no directions and guidelines for other functions of management. B and D are correct. For an enterprise without well planning, it cannot identify potential crisis and business opportunity, and fail to estimate and deploy accordingly. Thus, the enterprise cannot react promptly.

28. Ans: B

(1) is correct. The nominal rate of return for bank A and bank B for the one-year time deposit are both 5%. (2) is incorrect. The one-year time deposit of bank A is compounded more frequently than bank B. Therefore, its effective rate of return is higher.

(3) is correct. As bank A pays interest monthly and the deposit interest is compoundly calculated. Therefore, its effective rate of return is higher than the nominal rate of return (5%).

29. Ans: A

A is correct. GEM is a platform for companies which have good business idea and potential growth but do not meet the requirements of the Main Board to raise capital.

B and C are incorrect. It is more risky to invest in GEM listed companies rather than in Main Board listed companies, while the expected return from GEM will be higher. D is incorrect. There is no profit requirement for being listed on GEM.

30. Ans: D

B and C are incorrect. When the firm liquidates, preference shareholders have a priority over ordinary shareholders in receiving capital. Therefore, ordinary shareholders may not receive all their invested capital. They face higher investment risks.

A is incorrect. The dividends offered to ordinary shareholders depend on firm performance and development directions, a fixed dividend yield is not guaranteed. The dividend yield for preference

shareholders is fixed and guaranteed.

D is correct. Ordinary shareholders have voting rights in annual meeting. They can participate in important decision making of the company and the preference shareholders cannot.

Paper 1 Section B

1.(a)		
Debit (\$)	Credit (\$)	
Cash 5000		(1 mark)
	Capital 5000	(1 mark)
Bank 2000		(1 mark)
	Bank loan 2000	(1 mark)

(b)

- To detect errors (1 mark)
- Facilitate the preparation of financial statements (1 mark)

2.(a)

$$\text{NPV} = -\$16000 + \$4000/(1.06) + \$4000/(1.06)^2 + (\$4000 + \$6000)/(1.06)^3 = -\$270.2 \text{ (3 marks)}$$

Since $\text{NPV} < 0$, Firm A should not purchase it. (1 mark)

(b)

ERR of plan A = $(1+5\%) - 1 = 5\%$ (1 mark)

ERR of plan B = $(1+4.5\%/12)^{12} - 1 = 4.6\%$ (2 marks)

He should choose plan A. (1 mark)

3.(a)

Partnership (1 mark)

Disadvantages:

- Lack of continuity
 - Unlimited liability
 - Frozen investment
- (1 mark for each relevant disadvantage, max. 2 marks)

(b)

Advantages:

- Brand name recognition
 - Lower risk
 - Training and support
 - Access to big business management skills
- (1 mark for each relevant advantage, max. 3 marks)

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4.(a)

Avon			
Trial Balance as at 31 December 2016			
	Dr	Cr	
	\$	\$	
Wages and salaries	110 200		0.5
Carriage inwards	3 000		0.5
Bank overdraft		40 000	0.5
Inventory, 2016/1/1	77 500		0.5
Sales		390 000	0.5
Purchases	90 000		0.5
Returns inwards	2 100		0.5
Property, plant and equipment	1 450 000		0.5
Carriage outwards	50 000		0.5
Capital, 2016/1/1		1 352 800	0.5
	<u>1 782 800</u>	<u>1 782 800</u>	
			<u>5</u>

(b)
 Financial management (1 mark)

(c)
 As Avon give directions to the employees without listening to their suggestions, Avon retains the decision making on his own (1 mark). Therefore, he adopts autocratic leadership (1 mark).

(d)
 Disadvantage:
 - It reduces staff morale.
 - Decisions may not be the best.
 - It increases managers' workload.
 (2 marks for any relevant disadvantage, max. 2 marks)

5.(a)

Avon			
Income Statement for the year ended 31 December 2016			
	\$	\$	
Sales		390 000	0.5
Less: Returns inwards		<u>2 100</u>	0.5
Net sales		387 900	
Less: Cost of goods sold			
Opening inventory	77 500		0.5
Purchases	90 000		0.5
Carriage inwards	<u>3 000</u>		0.5
	170 500		
Less: Closing inventory	<u>80 000</u>	<u>90 500</u>	0.5
Gross profit		297 400	0.5
Less: Expenses			
Wages and salaries	110 200		0.5
Carriage outwards	<u>50 000</u>	<u>160 200</u>	0.5
Net profit		<u>137 200</u>	0.5
			<u>5</u>

(b)
 Adverse impacts:
 - The company may be sued by the bank for providing distorted financial information.
 - The company reputation will be adversely affected.
 - Creditors may not approve further credit to the company.
 (2 marks for any relevant adverse impacts, max. 4 marks)

(c)
 Any one: potential investors / the government / creditors / customers / competitors
 (1 mark)

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B4a Paper 2B Section A

1.
Assumptions:
- Employees are willing to work. It is a part of their lives
 - Employees will be self-motivated and self-control, in order to achieve the objective of firm
 - Employees accept and seek responsibilities
 - Employees can make decisions
- (2 marks for each relevant assumption, max. 4 marks)

2.
Factors:
- The cost of adopting direct distribution channel is high
 - The enterprise lacks the professional knowledges and skills of distribution
 - The customers are very dispersed. Reaching them through other channel member is more efficient
- (2 marks for each relevant factor, max. 4 marks)

3.
Purposes:
- Help the employees to develop social networks within the department, so as to understand the duties of the colleagues
 - Enhance the sense of belonging of the employees to the department. It can increase their incentive to work
 - Help the employees to fulfill their social needs, such as making more friends
- (2 marks for each relevant purpose, max. 6 marks)

4.
Objectives:
- Managers can refer to the performance appraisal result, so as to utilise the human resources effectively
 - During the evaluation of employees' performance, managers are required to make the employees understand the objectives of firm, and thus, they will know their direction of work
 - The evaluation of performance helps the managers to gain better understand of the employees. The managers can develop the employees' capabilities by providing effective training
- (2 marks for each relevant objective, max. 4 marks)

5.
Current ratio
= $\$1,500,000 / \$400,000 : 1$
= 3.75:1 (2 marks)
- Quick ratio
= $(\$1,500,000 - \$500,000) / \$400,000 : 1$
= 2.5:1 (2 marks)

Since the current ratio and quick ratio of Company A is higher than the average values of the industry, it can reflect that the liquidity of Company A is higher than the average performance of the industry (2 marks).

Section B

- 6.(a)(i)
Evidences:
- The smart cars are still not profitable
 - There are only a few competitors in market
 - The market is still not familiar with smart cars
- (1 mark for each relevant evidence, max. 3 marks)

- (ii)
Market penetration pricing (1 mark)

- Reasons:
- It can attract more consumers to try the smart cars
 - It can build a large market share before the other competitors enter the market
- (2 marks for each relevant reason, max. 2 marks)

- (b)(i)
Remedial actions:
- Brand recognition: To held a conference on the function of smart cars
 - Enhance promotion: To encourage the consumer to buy smart car by TV advertising
 - Provide discount: Discount can increase the sales of smart cars
 - Price cut: The price cut can increase the sales of smart cars
- (2 marks for each relevant remedial action, max. 4 marks)

- (ii)
Causes:
- Price variance: The actual price of smart cars is lower than the budget one
 - Usage variance: The actual proportion of high-priced smart car is lower than the budget one
- (1 mark for each relevant cause, max. 2 marks)

- (c)
Reasons:
- The morale of other staff in the Marketing Division of traditional vehicles will drop
 - Vicious competition in the Marketing Division of traditional vehicles will appear
 - It is different to have new idea in the promotions of traditional vehicles
- (2 marks for each relevant cause, max. 4 marks)

- (d)
Reasons:
- The control of the existing shareholders will not be affected when debt financing is adopted.
 - The cost of debt financing is relatively low and the cost of equity financing is relatively high.
- (2 marks for each relevant cause, max. 2 marks)

- 7.(a)(i)
Socio-cultural factor (1 mark). When the consumers make decision, they will consider the opinion of reference group and the famous blogger will be counted as an indirect referring group.(2 marks)

- (ii)
Channels:
- Online advertising
 - Social media
 - Mobile advertising
- (1 mark for each relevant channel, max. 2 marks)

- (b)(i)
Advantages:
- The contents of the two magazines are different. They are more able to satisfy the needs of readers in different market segments
 - As the magazines are sold to the readers in different market segments, the source of revenue will be broader
- (2 marks for each relevant advantage, max. 2 marks)

- Disadvantages:
- Publishing house has to allocate the resources to different market segments and introduce different marketing strategies at the same time. Hence, the operating cost will increase
- (2 marks for each relevant disadvantage, max. 2 marks)

- (ii)
Concentrated marketing (1 mark)

- Disadvantages:
- There is only one market segment. The business risk is relatively high. If the business environment of this market segment becomes worse, the revenue and profit of the publishing house will decrease
 - If other competitors (such as large publishing house) enter the market of literary magazines, Miracle Publishing House has to face fierce competition
- (2 marks for each relevant disadvantage, max. 2 marks)

- (c)
Non-financial factors:
- Strategic reason: The new printing machine can help the publishing house to achieve the objective of developing travel magazine
 - Industry standards: The requirements of travel magazine is higher. The new printing machine is able to fulfill the standards of this market segment
 - Company image: The new printing machine can improve the quality of products, and thus, the image of the publishing house can be improved
- (2 marks for each relevant non-financial factor, max. 4 marks)

- (d)
Negative impacts:
- The risk of insufficient cash for the daily expenses increases
 - The need for debt financing increases
- (2 marks for each relevant negative impact, max. 2 marks)

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Section C

(3 marks for each relevant differences, max. 12 marks)

8.(a)

Manpower planning process:

1. Forecasting manpower demand under the new expansion plan: e.g. estimate the labour demand and quality of the labour
2. Assessing the existing manpower supply: review the exiting manpower supply and their qualifications, to ensure the manpower is fully utilised
3. Comparing the manpower supply and demand: identify manpower shortfall
4. Setting up the action plan: determine the ways to place recruitment advertisements and the selection means, also develop the training strategy

(2 marks for each relevant step in correct sequence, max. 8 marks)

(b)

Risk management strategies:

- Risk avoidance: The Japanese food supplier can stop developing the sushi food, so as to avoid the loss due to the food safety problem. However, the sources of revenue will decrease
- Risk assumption: The Japanese food supplier can set aside an amount of money, in order to cover the potential loss due to the food safety problem. However, the amount of cash of the Japanese food supplier will decrease and the capital will be unable to generate other investment returns
- Risk reduction: The Japanese food supplier can purchase an advanced refrigerated cabinet (/ adopt a reliable source of food ingredients), hence, the chance of having food safety problems can decrease
- Risk transfer: The Japanese food supplier can make an agreement with the insurance company. So that, the loss can be transferred to the insurance company if the ingredients deteriorate

(3 marks for each relevant risk management strategy, max. 12 marks)

9.(a)

Differences:

	Consumer market	Business market
Product	- Smaller capacity - Attach a recipe	- Larger capacity
Price	- Fixed pricing - Promotional discounts	- Bulk discounts
Promotion	- Promotion of restaurant dishes - Promote to restaurant buyers	- Television advertising, newspaper advertising, social networking sites
Place	Direct delivery to restaurants	- Distributed by supermarket and convenience stores

(b)

Advantages of increasing salary:

- Reduce the vicious competition between employees and build up a harmonious working environment
- Reduce the administrative costs of assessing employee performance

(2 marks for each relevant advantages of increasing salary, max. 4 marks)

Advantages of distributing the bonus

- As the distribution of bonus is related to the performance, it can be an effective motivator
- Bonus can give the company flexibility because it is not guaranteed

(2 marks for each relevant advantages of increasing salary, max. 4 marks)

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B3b / B4b Paper 1 Section A

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

1. Ans: B

B is correct, A and D are incorrect. Most summer interns are inexperienced and autocratic leadership is more suitable. Free-rein leadership and participative leadership are more suitable for experienced subordinates. D is incorrect. Most summer interns are inexperienced and autocratic leadership is more suitable. "The subordinates are responsible" is not a reason to such leadership style.

2. Ans: C

(1) is incorrect. Business ethics is not a set of moral rules that a business must follow when making decisions.

(2) is correct. Business ethics emphasizes that a business should care for the interests of all the stakeholders.

(3) is correct. Business ethics is a set of moral rules that governs business activities.

3. Ans: D

A is incorrect. A successful entrepreneur should have good management skills, including the conceptual skills.

B is incorrect. Entrepreneur can make the final decision in the enterprise. However, he is not the only decision-maker. The manager can also make decisions.

C is incorrect. Generally, the manager will earn salaries. An entrepreneur will earn profits and have to bear risk. Hence, the return of the entrepreneur is more fluctuated. It is not necessary for entrepreneur to earn higher income than manager.

D is correct. An entrepreneur has to bear the business risk, that is to bear the result of uncertainty in the market.

4. Ans: C

Double entries of this transaction:

Dr Property (non-current asset) Cr
Loan from Jade (non-current liability)

Therefore, both non-current assets and non-current liabilities increase.

5. Ans: D

w:

Capital = Assets - Liabilities

= \$140 000 + 70 000 + 50 000 + 4 500 - 50 000

= \$214 500

6. Ans: B

(1) and (2) are incorrect. Both items are not included in the calculation of net purchases.

7. Ans: B

(1) is correct. An investor has the right to obtain information of the company, such as the financial statement of the company invested.

(2) is incorrect. Preference shareholder does not have the right to vote in annual meeting, only ordinary shareholder has voting right.

(3) is correct. Preference shareholder has the right of receiving fixed amount of dividends as investment return periodically.

(4) is incorrect. The debenture holders have the priority to get back the capital before the shareholders in case of liquidation.

8. Ans: A

B is incorrect. Current assets are shown in the ascending order of liquidity.

C and D are incorrect. There is no requirement on the order of liabilities.

9. Ans: D

The criteria of selecting constituent stocks in the HSI include the market capitalization and turnover of the company, the representation of the sub sectors within the HIS and the financial performance of the company.

10. Ans: C

C is correct. In Hong Kong, SMEs accounted for over 95% of the total business units locally.

A and B are incorrect. As the scales of SMEs are small, most of them are not listed companies. However, it is not necessarily true. SMEs can have more than one owner. D is incorrect. As the scales of SMEs are small, the expenditures of SMEs are not huge.

11. Ans: D

All of them are the limitations on the use of financial statements.

12. Ans: B

(1) is incorrect. It does not directly relate to profitability.

(3) is incorrect. It improves the profitability of business

13. Ans: A

A is correct. When the present value of cash inflows is more than the present value of cash outflows in an investment project, its NPV is positive and the firm should accept the project.

B is incorrect. NPV is the present value of all cash inflows less present value of cash outflows.

C is incorrect. When the NPV of an investment project is zero, it will not bring along any loss nor profit to the firm.

14. Ans: C

B and D are incorrect. These are the advantages to a franchisee.

A is incorrect. The goodwill of headquarter may be worsened if the performance of the franchisee is unsatisfactory.

C is correct. A franchisor can obtain revenue from franchisee, including joining fee and regular franchise fee.

15. Ans: D

Establishing code of ethics for daily operations, providing training and education about the

importance of business ethics and emphasising business ethics during recruitment are ways to enhance business ethics.

16. Ans: C

A, B and D are incorrect. Brexit, global financial tsunami and economic recession are unavoidable by global investors. They cannot be diversified and they are market risks. C is correct. The striking of the Skyline workers is the risk faced by Skyline only. It is a firm-specific risk.

17. Ans: A

(3) is incorrect.

Correct entries:

Dr Cash Cr Machinery

18. Ans: D

(1) and (2) are correct. Unity of command refers to the situation that each subordinate should report to one superior directly in an organisation. The principle of unity of command is violated if the front line salespersons report to both Mr. Ho and Miss Cheung. If the instruction they gave contradicts, the workers may be confused. (3) is correct. Directing front line subordinates is the responsibility of a first-line manager. Mr Ho is in the middle management. Directing front line worker is not one of his job duties.

19. Ans: C

C is correct. Ensuring cash for various payments belongs to the area of financial management. A is incorrect. Searching cloth suppliers is one of the production processes. Hence, it belongs to the area of operations management. B is incorrect. Performance management is a function of human resources management.

D is incorrect. Selection of target market is a function of marketing management

20. Ans: A

A is correct. Managers should adjust the standard occasionally. If the aberration is acceptable, the controlling can carry on without correction

B is incorrect. In the process of controlling, the enterprise needs to measure the actual performance regularly and systematically

C is incorrect. The first procedure of controlling is to determine the areas of controlling, such as output and sales.

D is incorrect. The survey of actual performance must be carried out regularly, to reduce the chance of out of control.

21. Ans: A

A is correct. Under MBO, subordinates can participate in setting goals and related work. Meetings and paperwork will increase.

B is incorrect. Division of work may not necessarily improve the efficiency. Under the division of work, various tasks are interdependent. When one task delays, the whole production process will be affected.

C is incorrect. This is the definition of unity of command, but not that of unity of direction.

D is incorrect. Unity of command means that each subordinate needs to report to one superior only. If the manager delegates authority, the subordinates can also make decisions

22. Ans: B

(1) is incorrect. Cash discounts can be discounts received (a revenue) or discounts allowed (an expense)

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(2) is incorrect. Trade discounts are the reduction of selling price. They are neither a revenue nor an expense.

23. Ans: C

The young single people do not have heavy financial burden. In this stage, creating and accumulating wealth for their future financial needs should be the major financial planning objectives. At the same time, they may need to study further to achieve higher qualifications. Therefore, (1) Create and accumulate wealth and (3) Plan for further study will be the young single's financial planning priorities. However, (2) planning for future retirement and (4) planning for children's university education fee will be quite far to them. These should be the minor financial needs.

24. Ans: C

(1) is correct. Starting from 1 November 2013, the monthly minimum relevant income level has been adjusted to \$7,100 for the MPF. Employees with monthly income of \$6,500 or below are not required to contribute to the scheme.

(2) is incorrect. The Mandatory Provident Fund system requires all employees and self-employed persons who are being employed for not less than 60 days continuously, aged 18 to below 65 to join an MPF scheme.

(3) is correct. Apart from mandatory contributions, both the employer and the employee can opt to make extra voluntary contributions

(4) is correct. Investment risks of an MPF scheme are entirely borne by employees.

25. Ans: D

w.

$$\text{Gross profit} / \text{Cost of goods sold} = 0.6$$

$$(\text{Sales} - \text{Cost of goods sold}) / \text{Cost of goods sold} = 0.6$$

$$(300\,000 - \text{Cost of goods sold}) / \text{Cost of goods sold} = 0.6$$

$$\therefore \text{Cost of goods sold} = \$187\,500$$

26. Ans: C

According to the business entity concept, owner's possession is separate from that in the business. Therefore, if an owner withdraws assets from business for own use, it should be recorded as drawings.

27. Ans: A

A is correct. Planning refers to the process of setting targets and determining action plans to achieve an objective. B is incorrect. Leading refers to the process of guiding and motivating a group efficiently and effectively to achieve an objective.

C is incorrect. Controlling refers to the process to make sure a plan is running smoothly as expected and to correct aberration if there is any. D is incorrect. Organising refers to the process of building the structure of an enterprise.

28. Ans: B

A is incorrect. Air quality is related to natural and geographical location. It is a physical factor affecting business decisions.

B is correct. Ageing population is related to population structure of the region. It is a social factor affecting business decisions.

C is incorrect. Geographical location is a physical factor affecting business decisions.

D is incorrect. With the tense political relationship between China and America, American enterprises avoid boycott by reducing investment in China. It

is a political factor affecting business decisions.

29. Ans: D

(1) is incorrect. The objective of public enterprises is to serve the general public but not to maximise profits.

(2) is incorrect. People operating public enterprises are not entrepreneurs but employees receiving salaries.

(3) is correct. The price of goods and services provided by public enterprises is lower than market price, so

they can be affordable by the low-income class.

(4) is correct. Public enterprises may still record a loss.

30. Ans: B

A is incorrect. The shares of private limited companies are not freely transferable. Shareholders do not need to worry about being taken over by other parties or losing the power of control.

B is correct. Both private limited company and public limited company enjoy limited liability.

C is incorrect. The maximum number of shareholders of a private limited company is 50, while there is no upper limit on the number of shareholders for a public limited company.

D is incorrect. A private limited company cannot issue shares to the public. It can only seek shareholder through private ways. However, a public limited company can issue shares to the public.

Paper 1 Section B

1.(a)

Mr. Chan: Sole Proprietorship (1 mark)

Mrs. Wong: Partnership (1 mark)

(b)

Reasons:

- Flexible management: Mr. Chan can make all decision for the company
- Mr. Chan can gain the whole profits and increase its profit incentives

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

(c)

Economic factors:

- Interest rate and exchange rate
- Unemployment rate and wage rate
- Consumption and Investment

(2 marks for each relevant economic factor, max. 4 marks)

2.(a)

- Accounting ratios are usually used to evaluate the financial performance and position of a business (1 mark)

- Making comparisons between different periods or different firms. (1 mark)

(b)

$$\text{Current ratio} = 20\,000 / 15\,000 = 1.33:1 \text{ (2 marks)}$$

$$\text{Quick ratio} = (20\,000 - 5\,000) / 15\,000 = 1:1$$

(2 marks)

3.(a)

- Unity of command: An employee is responsible to two managers at the same time (2 marks)

- Unity of direction: There are two different development targets or directions in the

company at the same time (2 marks)

4.(a)

(i) Paid postage in cash (1 mark)

(ii) Paid rent and rates for the business by the owner's personal money (1 mark)

(iii) Received goods returned from a credit customer (1 mark)

(iv) Borrowed a loan from Lee to buy a motor van (1 mark)

(v) Inventory withdrawn by the owner for personal use (1 mark)

(b)

Responsibility:

- understand the terms of a contract before signing it
- monitor activities on own account by checking account statements, transaction documents

(1 mark for each relevant responsibility, max. 1 mark)

(c)

- Hang Seng Index acts as a performance indicator of the movement in Hong Kong stock market (1 mark)

- Its constituent stocks represent the majority of stock trading and market capitalization in the Hong Kong stock market (1 mark)

$$(d) \quad (1\,500\,000) / (1+4\%)^3 = \$1\,333\,495 \text{ (2 marks)}$$

5.(a)

- Business entity concept (1 mark)

- Business is separated from its owner (1 mark)

- The book-keeper should record it as drawings in the books (1 mark)

(b)

Dr Drawings Cr Cash (2 marks)

(c)

- The restaurant belongs to catering industry (1 mark)

- Therefore, it needs to make mandatory provident fund contribution even if the clerk has been employed lesser than 60 days (1 mark)

(d)

Ways:

- calculate and pay the payroll

- approve a budget for the human resources department to hold training courses and recruitment seminars

- suggest the level of salary increment

(1 mark for each relevant way, max. 3 marks)

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B4b Paper 2B Section A

1.

Factors:

- Sales: As the payments of the bakery become flexible, more flour will be purchased, and thus, the sales of flour will increase
- Profitability: As cost is involve in the collection of money, he profitability will fall / When money is tied up in accounts receivable, the flour supplier will forgo the potential investment return of the money.
- Liquidity: The flour supplier cannot receive cash from credit sales, hence, the liquidity of the flour supplier will fall

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

2.

Reasons:

- The objectives of the Government is not profit maximisation, and thus, it is not easy to evaluate the performance of the civil servants
- Salaries of civil servants should not be linked to their performance. It is because it may be resulted in a vicious competition within the Government, and thus, the efficiency will fall

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

3.

Reasons:

- The cost of advertising and the time of organising can be reduced
- A large number of job seekers are attracted in a short period, in order to fill the vacancy of security guards
- The recruitment process can be speed up. It is because the property management company can arrange immediate interviews

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

4.(a)

- When the purpose of financing is to acquire fixed assets, the enterprises can adopt long-term financing. It is because the enterprises are not required to repay the loan in the short term, reducing the chance of refinancing (2 marks).

(b)

- When the risk of bankruptcy of enterprises is low, the enterprises can use debt financing. It is because the enterprises have to pay interest regularly and also repay the principal when debt financing is adopted. It will further increase the risk of bankruptcy (2 marks).

5.

Factors:

- Enterprises should identify the target, such as the potential customers of new products
- The larger the sample survey, the higher the reliability will be, but Company ABC has to pay a higher cost. Hence, the marketing department staff must balance the reliability and cost
- The marketing department staff should consider how to select the respondents, such as random sampling, stratified random sampling

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

Section B

6.(a)(i)

Payback period:

- = \$5.5 million / \$1 million/year
- = 5.5 years (1 mark)

(ii)

Reasons:

- Time value of money is ignored
- Cash flows after the payback period are ignored
- Fail to illustrate the absolute value of the project

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

(b)

Reasons:

- Purchasing power: the income of the young men who dislike dining out is sufficient to support the online ordering services
- The growth of market segment: The number of young men who dislike dining out is increasing, and thus, there is a potential growth of this market segment
- Distinctiveness: Pizza Chain Store can reach the young men who dislike dining out, by using the group in social media
- Competition: There is a few competitors who will develop the market of the young men who dislike dining out

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

(c)

insurable risk (1 mark)

Reasons:

- Traffic accident can only result in a loss, hence, it is not a speculative risk
- Traffic accident is uncontrollable
- Insurance company can calculate the probability of a traffic accident, in order to measure the cost of the policy
- Traffic accident involves a small number of people who suffer from loss. It will not result in a large-scale claims in general

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

(d)

Method:

- Hire part-time cooks who are responsible for the work in off-peak hours
- Outsource non-core duties in the kitchen, in order to relieve the pressure on the cooks

(2 marks for each relevant method, max. 2 marks)

7.(a)(i)

Characteristics:

- Intangibility: Passengers cannot see or feel the services of flight attendants before he is on the flight
- Inseparability: Unless the passengers are on the flight, they cannot enjoy the services of flight attendants
- Variability: The quality of services may vary according to the different flights, different flight attendants, or to different passengers.
- Perishability: The flight attendants can only provide immediate services to the passengers

on the flight. The services cannot be provided in advance

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

(b)

Methods:

- Improve the quality and taste of the airplane meals, so as to meet the requirement of the passengers in Country A
- Establish a Miles Savings Plan to maintain contact with passengers through redemption of tickets or gifts
- Response to the complaints from passengers quickly, so as to reduce their dissatisfaction
- Provide additional hotel booking services, in order to fulfill the accommodation needs of passengers

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

(c)

Reasons:

- Strategic reason: The new printing machine can help the publishing house to achieve the objective of developing travel magazine
- Industry standards: The requirements of travel magazine is higher. The new printing machine is able to fulfill the standards of this market segment
- Company image: The new printing machine can improve the quality of products, and thus, the image of the publishing house can be improved

(2 marks for each relevant non-financial factor, max. 4 marks)

(d)(i)

The increase in allowance is a hygiene factor. It can only prevent the staff from feeling dissatisfied. However, it cannot motivate the staff to work hard (2 marks).

(ii)

The increase in allowance can only satisfy the lower-order needs, such as physiological needs. If the staff has satisfied the lower-order needs and is pursuing the higher-order needs, the increase in allowance cannot result in any motivation effect (2 marks).

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Section C

8.(a)

Purposes:

- **Planning:** Provide the travel agent with directions and goals to develop the smartphone app
- **Organising:** As a guideline for resources allocation, the travel agent can measure how many resources are required for the project
- **Leading:** Allow the management of the travel agent to provide specific and quantitative working target to the staff
- **Control:** As a standard for performance measurement, the management of the travel agent can ensure that the staff are working towards the goal of developing smartphone app

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

(b)

Evaluation methods:

- **Written applications:** The HR manager can ensure that the candidates have relevant academic background and work experience in writing a program, based on their cover letter and curriculum vitae
- **Work sampling technique:** Candidates are required to complete a task of writing a program. This can reflect whether the candidates are qualified for the job
- **Interview:** The interviewer can observe the response of the candidates directly, so as to measure their awareness of the work and the development of mobile phone program
- **Reference check:** According to the information provided by the candidates, the HR manager can inquire the current supervisor or employer about the ability of the candidates

(3 marks for each evaluation method, max. 12 marks)

9.(a)

Strength (positive internal factor):

- The fried chicken chain has got the equipment of fried chicken
- The bargaining power for chicken suppliers is higher

(3 marks for each strength, max. 3 marks)

Weakness (negative internal factor):

- Employees are not familiar with the production of Korean food
- The workload of the employees will increase

(3 marks for each weakness, max. 3 marks)

Opportunity (positive external factor):

- Demand for Korean food is increasing

(3 marks for each opportunity, max. 3 marks)

Threat (negative external factor):

- More Korean restaurants opened, and thus, the market competition is increasing
- The image of the American fried chicken chain will become unclear

(3 marks for each threat, max. 3 marks)

(b)

Performance management process:

1. Formulating clear and measurable performance standards: such as the target time to complete an order
2. Measuring performance and monitoring goal achievement: such as the change in the average time to complete an order and the difference between the target time
3. Providing feedback and coaching on the performance result: such as the method to speed up each order
4. Making HRM decisions: such as move the unimproved staff out of the front line

(2 marks for each relevant step in correct sequence, max. 8 marks)