



B4a

Core + Management

BAFSSCHOOL OF THE HONG KONG ECONOMIC TIMES
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION
MOCK PAPER 2019

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES
PAPER 1

Time allowed: 1 hours 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. **ANSWER ALL QUESTIONS.** All questions in this section carry equal marks.
3. You should choose only **ONE** answer for each question.
4. No marks will be deducted for incorrect answers.

SECTION A (60 marks)

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

1. Owing to the trade war between the US and China, US manufacturers started to move their production plants from China back to the US. What kind of factors has affected the manufacturers' business decision?
 - A. Social factors
 - B. Cultural factors
 - C. Political factors
 - D. Technological factors

2. Which of the following is not a function of accounting?
 - A. to evaluate the business performance
 - B. to predict the business performance in a foreseeable future
 - C. to show the financial position of the business
 - D. to summarize the performance of the accounting manager

3. A company recruited a new bookkeeper who is inexperienced. This bookkeeper uses his own accounting methods to enter the business transactions. Which of the following accounting principles is violated?
 - A. business entity
 - B. going concern
 - C. consistency
 - D. accrual

4. Which of the following are recorded as non-current assets of a business?
 - (1) A machine withdrawn by the owner
 - (2) Equipment introduced by the owner
 - (3) Furniture sent by a customer as a settlement of outstanding balance
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

5. In order to strengthen trade and investment cooperation between mainland China and Hong Kong, _____ is implemented.
 - A. Closer Economic Partnership Arrangement
 - B. One Country Two System
 - C. Individual Visit Scheme
 - D. Appropriately proactive policy

6. Which of the following statement about globalization is incorrect?
- A. Hong Kong's involvement in the World Trade Organization enables Hong Kong Business to access to worldwide markets.
 - B. Globalization must improve the global economy.
 - C. Globalization can lead to a more efficient flow of capital and information.
 - D. Globalization may lead to a greater economic fluctuation.
7. Which of the following are the factors that turn Hong Kong into an international financial centre?
- (1) Well-developed infrastructure and communication network.
 - (2) The protection of private property rights
 - (3) The higher-quality human capital among other Asian cities
 - (4) A highly regarded legal system
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2), (3) and (4) only
 - D. All of the above
8. The four traditional economic pillars of Hong Kong belong to _____ production.
- A. Primary and tertiary
 - B. Primary and secondary
 - C. Secondary and tertiary
 - D. Tertiary
9. Which of the following is not a major role of business in the Hong Kong Economy?
- A. Creating job opportunities
 - B. Connecting mainland China with worldwide
 - C. Producing garment, toys and electronic appliances
 - D. Providing export of services
10. Which of the following statements about limited company are correct?
- (1) Only public limited companies must separate ownership and management
 - (2) Private limited companies cannot disclose their information to the public
 - (3) A limited company can issue bonds and shares to raise capital
 - (4) All limited companies must be run by a board of directors elected by the shareholders
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (2) and (4) only

11. Cereal Partners Worldwide is a joint venture created by Nestle and General Mills, two listed companies in Sweden and the US respectively. This joint venture produces and sells breakfast cereal to the whole world. What is the advantage of this joint venture to the two parent companies?
- A. Advantage of expertise and business connections
 - B. Effective management
 - C. No need to disclose the financial information to the public
 - D. Lower tax rate
-
12. A restaurant has divided its staff into 10 groups. All the groups have the same duty but different time shifts only. Which principle of effective management is violated in the above case?
- A. Division of work
 - B. Balancing responsibility with authority
 - C. Unity of command
 - D. Unity of direction
13. Which of the following is not the duty of a human resources department manager?
- A. Performance management
 - B. Staffing
 - C. Compensation and benefit management
 - D. Maintaining customer relationship
14. The entrepreneurs of Small and Medium Enterprises are
- A. Incapable of bearing risks
 - B. Selfish and greedy
 - C. Supportive to large companies
 - D. Passive to innovative ideas
15. Which of the following is not an advantage of investing in bonds over stocks?
- A. Share prices are too fluctuating.
 - B. Debenture is risk-free.
 - C. Bondholders have the priority to get back the capital when the company is liquidated.
 - D. The return of bonds is more stable than that of stocks.

16. Which of the following descriptions about the MPF System are correct?
- (1) MPF scheme members can only withdraw their money after the age of 65 in most circumstances
 - (2) Both employers and employees are required to make regular mandatory contributions to their MPF account.
 - (3) MPF scheme is a risk-free investment
 - (4) Only self-employed hawkers are not required to join an MPF scheme
- A. (1) and (2) only.
B. (1) and (3) only.
C. (2) and (4) only.
D. (3) and (4) only.
17. The price of a stock in Hong Kong may increase if
- A. the profit of the company has been increasing steadily.
 - B. interest rate is increased.
 - C. the US has taken back all benefits enjoyed by Hong Kong according to the United States–Hong Kong Policy Act.
 - D. the stock is suffering from short selling.
18. Café de coral announced to stop paying wages for the lunchtime of its employees. Is the company socially responsible?
- A. Yes, the company will reduce the unnecessary expenditure.
 - B. Yes, it clarifies to the employees that they are not working during lunchtime.
 - C. No, the policy damages the employer-employee relationship.
 - D. No, the policy is not related to the society.
19. What elements should a SMART goal have?
- A. Special, Measurable, Achievable, Radical, Technical
 - B. Specific, Measurable, Attainable, Relevant, Time Bound
 - C. Specific, Measurable, Attractive, Revolutionary, Time Bound
 - D. Stable, Measurable, Aspiring, Relevant, Trendy
20. Mr Wong has a deposit of \$100,000. The bank has an investment plan for Mr Wong to invest his money. The plan generates 3% return in the first 2 years and 8% return starting from the 3rd year. What is the future value of Mr Wong's deposit after 5 years if he joins the investment plan?
- A. \$123,743
 - B. \$130,000
 - C. \$133,643
 - D. \$144,334

21. Which of the following about rate of return is true?
- A. Nominal rate of return is always different with the effective rate of return.
 - B. When the net present value is negative, the nominal rate of return is negative
 - C. A positive rate of return means that it is advisable to take the proposal.
 - D. If interest is compounded more frequently, the effective rate of return is higher.

22. Which of the following is a typical financial need of late family?

- A. Down payment of their house
- B. Estate planning
- C. Children's university education expenses
- D. Stronger insurance coverage

23. Which of the following items is a revolving consumer credit?

- A. Mortgage loan
- B. Bank Overdraft
- C. Credit Card
- D. Car loan

24. Which of the following accounts must carry a debit balance in a trial balance of a sole proprietorship?

- A. Discounts allowed
- B. Bank loan
- C. Accounts payable
- D. Capital

25. Which of the following double entries is not correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
A.	Put cash in bank.	Bank	Cash
B.	The owner withdrew inventory from the business as a settlement to a supplier of office furniture.	Trade payable	Purchases
C.	Purchased postage stamps in cash	Postage	Cash
D.	Bought a machine on credit	Machinery	Trade payable

26. Which of the following should be entered in the discounts received account?
- (1) Reduction of selling price from suppliers
 - (2) Reduction of the outstanding balances owing to suppliers if repayments are made.
 - (3) Received a cash refund upon return of goods
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
27. Which of the following is the example of a nominal account?
- A. Bank overdraft
 - B. Bank loan
 - C. Bank interest
 - D. Business cheque
28. On 1 January 2019, the cash at bank account and the cash in hand account of a firm carried debit balances of \$9 700 and \$14 000 respectively. Cash sales for the month were \$39 500, of which \$2 100 was kept in the safe and the remaining cash from sales was deposited into the bank before the month end. During the month, \$18 300 was paid for expenses by cheque. The firm acquired equipment at \$6 800. Half of the amount was on credit and the remaining was made by cheque. The owner withdrew cash \$7 400 from the business for his personal use.
- The cash at bank account carried a _____ on 31 January 2019.
- A. debit balance of \$18 000
 - B. debit balance of \$25 400
 - C. credit balance of \$18 000
 - D. credit balance of \$25 400
29. Which of following would decrease the gross profit of a trading firm?
- A. increase in returns inwards
 - B. increase in returns outwards
 - C. decrease in carriage inwards
 - D. decrease in carriage outwards

30. The following figures were extracted from the books of a firm as at 31 December 2018:

	\$
Accounts receivable	60 000
Accounts payable	40 000
Cash in hand	8 800
Bank loan	15 000
Bank overdraft	3 000

The current ratio and acid test ratio of the firm as at 31 December 2018 were 2:1 and 1.6:1 respectively.

Calculate the value of inventory as at 31 December 2018.

- A. \$17 200
- B. \$23 200
- C. \$68 800
- D. \$86 000

END OF SECTION A

SECTION B (30 marks)

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

1. Joshua operates a fitness room. He decides to launch a promotional campaign by offering free trial courses for new members. He sets the following goal for the promotional campaign:

“To increase the number of new members substantially”

Briefly explain two characteristics of a SMART goal that are missing from the above goal.

(4 marks)

2. Maggie is a sole trader of a tutorial centre. Recently, she plans to expand her business. She decides to invite Judy and Billy to form a partnership.

Maggie and Judy will contribute capital. After forming a partnership, only Maggie will bear unlimited liabilities. Judy and Billy have no involvement in the daily operations of the partnership.

- (a) State two advantages of forming a partnership over a sole proprietorship. (4 marks)
- (b) Identify the type of each partner in this partnership. (3 marks)
- (c) Suggest one contribution that a nominal partner could make to a partnership. (2 marks)

(Total: 9 marks)

3. On 1 January 2019, Katherine decides to buy a television which is financed by a loan arranged by the supplier. The purchase price of the television was \$18 000. Katherine needs to repay one third of the principal and the interest on 31 December 2019, 2020 and 2021. Interest is charged at 5% per annum.

- (a) Calculate the total amount to be paid by Katherine. (3 marks)
- (b) Apart from a loan, suggest one suitable credit arrangement for Katherine to buy the television. (1 mark)

(Total: 4 marks)

4. Human resources can support marketing department of a company in different ways. List three of them. (3 marks)

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

Based on the following information, answer either Question 5 or 6.

King Kong is 58 years old. He runs a trading company. The financial statements of the company for the year 2018 are given below:

Income Statement for the year ended 31 December 2018	
	\$
Sales	500 000
Less: Cost of goods sold	150 000
Gross profit	350 000
Less: Expenses	80 000
Net profit	270 000

Statement of Financial Position as at 31 December 2018	
	\$
Non-current assets	1 500 000
Current assets	
Inventory	80 000
Cash at bank	320 000
	400 000
Total Assets	1 900 000
Capital, 1 January 2018	1 460 000
Add: Net profit	270 000
	1 730 000
Less: Drawings	310 000
	1 420 000
Non-current liabilities	130 000
Current liabilities	350 000
Total Capital and Liabilities	1 900 000

5. (a) Calculate the following ratios for the year 2018 for King Kong's company:
- (i) Gross profit ratio
 - (ii) Net profit ratio
 - (iii) Return on capital employed (3 marks)
- (b) Victory Trading is one of the competitors of King Kong. Its gross profit ratio and net profit ratio for the year 2018 are 75% and 40% respectively. Briefly comment on the profitability of King Kong's company for the year 2018 as compared with Victory Trading. (2 marks)
- (c) Explain one of the King Kong's current financial needs. (2 marks)
- (d) As a sole proprietor, should King Kong make a mandatory contribution under Mandatory Provident Fund scheme? Briefly explain. (2 marks)
- (e) State one type of employees that can be exempted from joining Mandatory Provident Fund scheme. (1 mark)
- (Total: 10 marks)

6. (a) Calculate (to two decimal places) the following for the year 2018 for King Kong's company:
- (i) Working capital
 - (ii) Current ratio
 - (iii) Liquid ratio (3 marks)
- (b) Briefly comment on the liquidity of King Kong's company as at 31 December 2018. (2 marks)

Recently, an employee from King Kong's competitor approaches King Kong. He would release King Kong about the competitor's business secrets if he is offered an employment opportunity.

- (c) If King Kong makes a deal with this employee, explain two possible adverse impacts on the stakeholders of King Kong's company. (4 marks)
- (d) List one social responsibility that King Kong should discharge to his employees. (1 mark)

(Total: 10 marks)

END OF PAPER



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MOCK PAPER 2019

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 this section.

1. List three types of non-monetary rewards with one example of each. (6 marks)

2. A candy shop's current asset and current liabilities accounted to \$500 000 and \$200 000 respectively. Its inventory were \$100 000.
 - (a) Calculate the current ratio and the quick ratio of the candy shop. Show your calculations. (4 marks)
 - (b) Explain why the two ratios are different. (2 marks)

3. State three benefits to a watch shop of using e-marketing to perform its distribution function. (6 marks)

4. A number of financial ratios of a hotel has improved last month. But in fact, the operation of the hotel has not improved. Suggest three situations which may distort those financial ratios. (6 marks)

SECTION B (36 marks)

Answer **ALL** questions in this section.

5. Speed Co. is a listed company. Five years ago, Speed Co. started inventing electric vehicles. Its first product, “Speedy 1” was launched last month yet encountered disappointing response from the market. In light of that, the CEO Tommy convened a senior management meeting.

Tommy said, “In order to boost sales, we should strengthen our promotion to make Speedy 1 more reachable, such as playing advertisement during the golden time of television. Yet, in the past few years, the Company have invested enormous capital in the invention of electric vehicles. Increasing promotion may cause cash shortage in our Company.”

Maggie, the financial manager, responded, “Don’t worry! The Company still has some financing solution to support the cost for promotion.”

Henry, the marketing manager, disagreed with television advertisements, “I think we can try promoting Speedy 1 through social media. Also, Speedy 1 is a new product, so the Company should adopt adequate distributing and pricing strategies.”

In response to Henry’s suggestion, Susan, the manager for human resources, expressed, “The Company doesn’t have any employee who is familiar with social media now. So, if we launch promotion on social media, we will need to hire a new website editor.”

- (a) Maggie suggests company set a financing plan of more than three years. List three applicable financing methods, and give one disadvantage of each method. (6 marks)
- (b) (i) Explain which stage of product life cycle is Speedy 1 now in. (2 marks)
- (ii) Suggest one distribution strategy and one pricing strategy to Speed Co. And explain each suggestion with the properties of the stage of product life cycle mentioned in (b)(i). (4 marks)
- (c) Indicate one difference between promotion through social platform and television advertisement. (2 marks)
- (d) Give two possible factors which may lead to drop in external manpower source of website editors. (4 marks)
- (Total: 18 marks)

6. East Coffee is the biggest chain coffee store in the city. Ming is a management trainee in targeted training. Earlier this year, Ming was sent to a famous coffee academy in Italy to take an advanced programme for three months.

After completing the programme, Ming reported to the Company's senior management team, "An Italian manufacturer launched the most cutting-edge coffee brewing machine. It can not only improve productivity but also brew coffee of mastery. A research of a local food magazine shows nearly 95% of satisfaction from customers." Ming continued to propose, "The life of that brewing machine is 5 years. If it is introduced to all coffee shops of East Coffee, the predicted preliminary investment is \$8 million and the net cash flow is \$2 million each year. So, the return period is very short."

Yet, Ming's proposal could not draw much support. Winnie, the marketing manager, expressed, "We should not put complete trust onto secondary information." Keung, the financial manager, believed, "We should not take payback period as the only factor on evaluating this investment. We can also calculate the plan's net present value."

At last, Jimmy, the manager for human resources rounded up the training arrangement of Ming. He expressed that the Company can continue to send management trainee to Italy for the learning programme.

- (a) (i) What is secondary data? (1 mark)
- (ii) Suppose East Coffee use the secondary data mentioned in the text to measure the degree of satisfaction of customers to the coffee brewing machine. Give two limitations of this method. (2 marks)
- (b) (i) Calculate the payback period of the investment project Ming suggested. (1 mark)
- (ii) Give two reasons why East Coffee should not evaluate the investment project with its payback period. (4 marks)
- (c) (i) If the cost of capital is 5%. According to the budget of Ming, calculate the Net Present Value (to the nearest integer) of the investment project he suggested. Show your calculations. (2 marks)
- (ii) Based on the calculation in (c)(i), illustrate whether East Coffee should take this investment project. (2 marks)
- (d) Give two advantages and one disadvantage of the training method of Ming. (6 marks)
- (Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in this section.

7. A publishing house mainly publishes magazines and exercises for secondary school students. The former are only available for collective orders from schools or organizations. The latter are available for individual orders from students.
- (a) Compare and contrast the marketing mix used by the publishing house for business buyers and individual consumers. (12 marks)
- (b) Explain the possible causes leading to budgeting variance of the publishing house. (8 marks)
(Total: 20 marks)
8. There are many talented fashion designers in Hong Kong. So Richard decides to establish a new fashion brand, and manage the fashion design department on his own.
- (a) Suggest Richard's new brand some applicable market segmentations. (8 marks)
- (b) To allow the designers to utilize their talents, Richard decides to adopt performance management. Describe the process of performance management. (12 marks)
(Total: 20 marks)

END OF PAPER

Paper 1

Section A

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

1. Answer: C

The manufacturers worry that the US and China will adopt more aggressive policies to each of their foreign investors. It increases uncertainties for the US manufacturers to invest in China.

2. Answer: D

D is correct. It is not shown on any accounting records.

3. Answer: C

4. Answer: C

(1) is incorrect. According to business entity concept, the machine belongs to the owner and thus should not be recorded in the books.

5. Answer: A

Closer Economic Partnership Arrangement (CEPA) is a free trade arrangement between Hong Kong and China to strengthen trade and investment cooperation.

6. Answer: B

Economies may be more fluctuated as they are interdependent. Under globalization, outsourcing will reduce local employment of some economies.

7. Answer: D

8. Answer: D

The four traditional economic pillars of Hong Kong are financial services, tourism, trading and logistics and professional and producer services which are all services.

9. Answer: C

Hong Kong has transferred to an international financial centre instead of a manufacturing centre in the 1990s.

10. Answer: B

11. Answer: A

Nestle and General Mills can share their expertise, business connections and relations to each other in order to promote the product of their joint venture.

12. Answer: A

Division of work means to break down the entire work into a number of small tasks for individuals to perform with the ease. The restaurant has not divided the work.

13. Answer: D

Only a marketing manager needs to maintain customer relationship.

14. Answer: C

15. Answer: B

There are still risks in debenture investment as companies may go bankrupt, hence fail to repay the debenture.

16. Answer: A

(3) is incorrect. MPF schemes have certain amount of risks as it is related to the trend of the stock market in some portfolio.

(4) is incorrect. Domestic employees and self-employed hawkers are not required to join an MPF scheme.

17. Answer: A

18. Answer: C

19. Answer: B

20. Answer: C

$$\$100,000(1+3\%)^2(1+8\%)^3 = \$133,643$$

21. Answer: D

The effective rate of return can be equal to the nominal rate of return if the interest is only compounded once.

22. Answer: C

Late family's children are at the suitable age of tertiary education.

23. Answer: C

Revolving consumer credit is a kind of credit that allows the consumer to draw credit as long as the total amount of credit is within a limit.

24. Answer: A

D is incorrect. Capital of a sole proprietorship must carry a credit balance.

25. Answer: D

Correct entries:

Dr Machinery Cr Accounts payable/Other payable

26. Answer: B

27. Answer: C

A and B are incorrect. They are real accounts. D is incorrect. It is not an account.

28. Answer: B

w:

$$\$9\,700 + (39\,500 - 2\,100) - 18\,300 - 6\,800/2$$

29. Answer: A

B and C will increase the gross profit. D will not affect the gross profit.

30. Answer: A

w: Inventory

$$= \$ (2 - 1.6) \times (40\,000 + 3\,000) = \$17\,200$$

Section B

1.

Characteristics:

- Measurable: the goal does not specify the number of new members to increase
- Time-bound: the goal does not specify the targeted timeframe

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

2.(a)

Advantages:

- wider source of capital
 - complimentary skills and expertise
- (2 marks for each relevant advantage, max. 4 marks)

(b)

Maggie: general partner (1 mark)

Judy: limited partner (1 mark)

Billy: nominal partner (1 mark)

(c)

Contributions:

- provides professional advice
- enhances business reputation
- strengthens business linkages

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

3.(a)

$$\$18\,000 \times 5\% + 12\,000 \times 5\% + 6\,000 \times 5\% + 18\,000 = \$19\,800 \text{ (3 marks)}$$

(b)

Credit card (1 mark)

4.

Ways:

- provide professional advice
- enhance business reputation
- strengthen business linkages

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

5(a)(i)

$$\$350\,000 / 500\,000 \times 100\% = 70\% \text{ (1 mark)}$$

(ii)

$$\$270\,000 / 500\,000 \times 100\% = 54\% \text{ (1 mark)}$$

(iii)

$$\$270\,000 / [(1\,460\,000 + 1\,420\,000) \div 2] \times 100\% = 18.75\% \text{ (1 mark)}$$

(b)

King Kong's company:

- has lower gross profit ratio but higher net profit ratio (1 mark)
- has poorer control over its cost of goods sold / has better control over its operating expenses (1 mark)

(c)

Financial needs:

- retirement planning, e.g. medical expenses after retirement (2 marks)

(d)

- Yes, he has to make a mandatory contribution under Mandatory Provident Fund scheme. (1 mark)
- He is a self-employed person. (1 mark)

(e)

Domestic employee / Self-employed hawker / Employees who have joined the provident fund schemes (1 mark)

6. (a)(i)

$$\$400\,000 - 350\,000 = \$50\,000 \text{ (1 mark)}$$

(ii)

$$\$400\,000 / 350\,000 = 1.14 \text{ (1 mark)}$$

(iii)

$$\$320\,000 / 350\,000 = 0.91 \text{ (1 mark)}$$

(b)

- The liquid ratio of King Kong's company is less than 1. (1 mark)
 - It indicates that the liquid assets of King Kong's company cannot meet its immediate debts. (1 mark)
- The liquidity position of the company is poor.

(c)

Stakeholders and explanation:

- Competitors: it is not fair competition and will suffer a loss.
- Employees: if the unfair practices are discovered by the public, the business reputation will be adversely affected. Thereby, the employees may not be able to find another job.

(2 marks for each relevant stakeholder and explanation, max. 4 marks)

(d)

Social responsibilities:

- pay salaries on time
- provide safe working environment

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

B4a Paper 2B

Section A

1.

Types:

- Protection programs: Insurance benefits, Retirement benefits, etc.
- Paid time-off: paid annual leave, sick leave, etc.
- Services: educational programs, discounts, etc.

(2 marks for each appropriate type with example, max. 6 marks)

2.(a)

Current ratio

$$= \frac{\$500\,000}{\$200\,000} : 1$$

$$= 2.5 : 1 \text{ (2 marks)}$$

Quick ratio

$$= \frac{\$500\,000 - \$100\,000}{\$200\,000} : 1$$

$$= 2 : 1 \text{ (2 marks)}$$

(b)

Quick ratio excludes the inventory of the candy shop, but current ratio does not. Since inventory is the least liquid current asset, quick ratio is better in comparing the most liquid assets with current liabilities. (2 marks)

3.

Benefits:

- The watch shop can have contact with overseas potential customers.
- The watch shop can extend its business hours to 24 hours per day.
- The watch shop can save the rent and wage of employees of physical stores.

(2 marks for each appropriate benefits, max. 6 marks)

4.

Situations:

- Inflation: profit of the hotel increased, rise in price level leads to increase in the price of the hotel's service.
- Taxation: the profit after tax of hotel increased, since the government lowered the tax rate.
- Change in accounting policies: new accounting methods take more sources of income into account.
- Seasonal changes: during the peak season of tourism, the profit of the hotel will still increase though its operation did not improve.

(2 marks for each appropriate situation, max. 6 marks)

Section B

5.(a)

Methods and Disadvantages:

- Issuing bonds: Speed Co. can issue 3-year bonds to the public.
Disadvantage: Speed Co. has to pay interest and principle regularly.
- Issuing stocks: Speed Co. can issue stocks to the public.
Disadvantage: The control of existing stockholders of Speed Co. will be weakened.
- Retained profits: Speed Co. can reduce the amount of dividends distributed to its stockholders.
Disadvantage: Income of stockholders will decrease, so they may oppose this method.

(2 marks for each appropriate method and disadvantage, max. 6 marks)

(b)(i)

Introduction(1 mark). Speedy 1 is newly introduced to the market, and not yet known by the market(1 mark).

(b)(ii)

Distribution strategy:

- Selective distribution. Since Speedy 1 is not yet known by the market, the distributing cost is huge. Speed Co. can choose a small number of promising channel members to distribute Speedy 1.

(2 marks for each appropriate distribution strategy, max. 2 marks)

Pricing strategy:

- Market skimming pricing. To cover the huge investment cost, Speed Co. can set a higher price for Speedy 1.
- Market penetration pricing: Speed Co. can set a lower price for Speedy 1, to let more consumers try Speedy 1, in order to increase market share.

(2 marks for each appropriate pricing strategy, max. 2 marks)

(c)

Difference:

- Social platforms require lower promotion fees, but television advertisement need higher cost.
- There are more choices of social platforms, Speed Co. can choose the platforms used by its target customers. Television has a higher coverage, but some audiences may not be Speed Co.'s target customers.

(2 marks for each appropriate difference, max. 2 marks)

(d)

Possible factors:

- Other companies hired many website editors, so few are searching for jobs.
- Social platforms industry is declining, so fewer people hope to be website editors.
- Tertiary schools cut the number of online writing courses, so fewer people grasp required skills of website editors.

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

6.(a)(i)

Data that already exist and were collected for purposes other than for a specific research problem.(1 mark)

(ii)

Limitations:

- The information on the food magazine may be outdated.
- East Coffee cannot ensure the accuracy of the information of the food magazine.
- The information of the food magazine may not fully satisfy the needs of East Coffee.

(1 mark for each appropriate limitation, max. 2 marks)

(b)(i)

Payback period

$$= \$8\text{ million} / \$2\text{ million/year} = 4\text{ years}(1\text{ mark})$$

(ii)

Reasons:

- Neglected the time value of money: By the calculation method of payback period, \$1 this year has the same value as \$1 next year. The time value of money is neglected.
- Neglected the cashflow after the payback period. The calculation of payback period only includes the cashflow during the payback period, but the project can generate cashflow after the payback period.
- Cannot show the absolute value of the project. The calculation did not include the absolute value of the project.

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

(c)(i)

Net present value

$$= \left(\frac{\$2m}{1.05^1} + \frac{\$2m}{1.05^2} + \frac{\$2m}{1.05^3} + \frac{\$2m}{1.05^4} + \frac{\$2m}{1.05^5} \right) - \$8m$$

$$= 658,953(2\text{ marks})$$

(ii)

Yes (1 mark). Since the Net Present Value is positive. (1 mark)

(d)

Advantages:

- Since the employee does not need to work during training, he will not feel extra work pressure.
- The employee can learn skills and knowledge outside East Coffee.
- Since the place of training is outside East Coffee, it does less effect to the operation of the coffee shop.

(2 marks for each appropriate advantages, max. 4 marks)

Disadvantages:

- The training requires resources outside East Coffee, so it needs higher cost.
- Techniques and knowledge in the academy in Italy may not be applicable to East Coffee.
- There may be variance in the ability of Italian and Hong Kong learners, and leads to low learning efficiency.

(2 marks for each appropriate disadvantage, max. 2 marks)

Section C

7.(a)

Comparison of marketing strategies:

	Business Buyers	Individual Consumers
Product	- Can provide more systematic after-sale services, such as visiting schools one by one, taking the opinions of teachers and satisfying their needs.	- Usually can only provide standardized products, and without after-sale services. Also, cannot get contact with every readers.
Price	- Can provide discount of collective orders.	- Usually sell on fixed price, and with sales promotion to boost sales.
Promotion	- Promotion strategies which is good for concentrated customers, such as promoting to libraries and teachers in charge.	- Promotion strategies which is good for widespread customers, such as emails and online advertisements.
Place	- Direct distribution channels. Directly distribute products to schools.	- Indirect distribution channels. Distribute products through bookstores.

(3 marks for each appropriate strategy, max. 12 marks)

(b)

Possible causes:

- Sales variance: when the market competition is fierce and the publishing house made inappropriate purchases, there may be variance between actual and budgeted sales.
- Inventory variance: when there is damage in inventory, change in price of paper, or change in exchange rates, there may be inventory variance.
- Labour variance: When there is change in the wage or working efficiency of employees, there may be labour variance.
- Rent variance: when the rent of the publishing house changes, there may be rent variance.

(3 marks for each appropriate cause, max. 8 marks)

8.(a)

Market segmentations:

- Geographic segmentation: design cloths by the requirement of people from different nations and regions.
- Demographic segmentation: Provide sizes and materials of clothes by the ages and income level of the customers.
- Psychographic segmentation: Design clothes by the preference of different customers.
- Behavioral segmentation: provide clothes by different uses, e.g. working, leisure.

(3 marks for each appropriate method, max. 8 marks)

(b)

Process of performance management:

1. Identifying and formulating clear and measurable performance standards and goals: setting a clear goal for designers, such as the requirements of the product, deadline of the work, etc.
2. Measuring performance and monitoring goal achievement: Ensuring the product meets the target, and completed within the set period.
3. Providing feedback and coaching on performance appraisal results: Providing coaching according to designers' performance, praising excellent performance, correcting poor performance.
4. Making HRM decisions based on performance appraisal: If the designer performed well, give promotion opportunities. Otherwise provide correcting courses, or transfer him to other posts.

(3 marks for each appropriate steps in correct order, max. 12)