

South Tuen Mun Government Secondary School
Half-yearly Examination 2017-2018
S4 Business, Accounting and Financial Studies (Management Module)
Question-Answer Book
(This Question-Answer Book consists of 13 pages)

Maximum marks: 100 (To be converted to 200)

Time allowed: 2 hrs

Class: _____ Name: _____ Class No. _____

Answer **ALL** questions in this Question-Answer Book.

Part A Multiple Choice Questions: (40 marks)
Write your answer in the space provided on P.4.

1. A sole proprietorship
- (1) is solely owned by one person. (3) has a low setup cost.
(2) has limited liability.
- A. (1) only C. (1) and (3) only
B. (2) only D. (1), (2) and (3)
2. Which of the following statements about a partnership is false?
- A. All partners in a limited partnership have limited liability.
B. A partnership can have more than 20 partners.
C. A limited partner is not involved in the planning and management of the business.
D. A general partner has unlimited liability.
3. Which of the following are the advantages of a sole proprietorship?
- (1) A sole proprietorship can raise capital by issuing shares to the general public.
(2) The ownership of the business can easily be transferred.
(3) The owner can easily monitor the whole production process and ensure a high quality standard.
(4) A board of directors can be elected to run the business.
- A. (1) and (2) only C. (2), (3) and (4) only
B. (2) and (3) only D. (1), (2), (3) and (4)
4. Which of the following statements about sole proprietorships is false?
- A. A sole proprietorship enjoys a lower profit tax rate when compared with a limited company.
B. A sole proprietorship has limited liability, thus avoiding the loss of personal assets.
C. A sole proprietorship can easily transfer ownership of the business to others.
D. When compared with other forms of business ownership, it is relatively easy to set up a sole proprietorship.

5. Which of the following is an advantage of a partnership over a sole proprietorship?
- A partnership can have more sources of capital.
 - A partnership enjoys a lower profits tax rate.
 - A partnership is a separate legal entity but a sole proprietorship is not.
 - A partnership can easily transfer ownership to others while a sole proprietorship cannot.
6. Peter opened an upstairs bookstore in Causeway Bay last year. Unfortunately, because of rising rent and poor sales, he has to close the bookstore. Peter is heavily in debt. He sells his own properties to pay off the debt. Which of the following is the disadvantage of this form of business ownership?
- The bookstore's source of capital is limited to Peter's own savings or the retained profits.
 - Peter is required to disclose his bookstore's financial information.
 - Peter has to pay a higher rate of profits tax.
 - Peter cannot make decisions efficiently.
7. Which of the following is the advantage of partnership over sole proprietorship?
- It is easier to set up a partnership.
 - Profits tax rate for partnership is lower.
 - New partners can be recruited for raising capital and contributing expertise.
 - Liabilities of all partners are limited.
8. Roger runs a clinic with other two doctors in the form of a partnership. He is a general partner. Which of the following descriptions is incorrect?
- As a partnership, the clinic can be run more efficiently as all partners can share workload.
 - Compared with limited companies, the clinic pays a lower profits tax rate.
 - The clinic can continue to operate when Roger withdraws from the partnership.
 - Roger has unlimited liability.
9. Which of the following statements concerning a sole proprietorship is incorrect?
- It is not a legal entity.
 - The business is owned by one person.
 - The owner has limited liability.
 - The scale of the business is usually small.
10. Which of the following are the advantage(s) of a sole proprietorship over a partnership?
- Closer relationship with customers
 - Wider source of capital
 - Easy transfer of ownership
 - Efficient and flexible operations
- (1) and (2) only
 - (3) and (4) only
 - (1), (2) and (3) only
 - (1), (3) and (4) only

11. Peter and Roger own a hair salon. Roger invests capital in the business. However, he does not take part in running the business. Roger is likely to be a
- (1) limited partner (3) nominal partner
 (2) general partner
- A. (1) only C. (1) or (3)
 B. (3) only D. (2) or (3)
12. Which of the following statements concerning the characteristics of a partnership is correct?
- (1) The profits tax rate for a partnership is lower than that of a limited company.
 (2) A limited partnership would not be dissolved by the withdrawal, death or bankruptcy of a limited partner.
 (3) All the partners in a general partnership are general partners and bear limited liability.
- A. (1) only C. (1) and (2) only
 B. (3) only D. (2) and (3) only
13. The contribution of the secondary sector to Hong Kong's GDP has declined since the 1980s as
- A. Hong Kong exported more products to other countries.
 B. factory owners in Hong Kong relocated their production bases to China.
 C. more people, capital and entrepreneurs flowed from China to Hong Kong.
 D. there was widespread speculation in the property and stock markets in Hong
14. The business sector is important to the Hong Kong economy as it can
- A. provide employment opportunities.
 B. raise government revenue.
 C. earn foreign exchange to pay for imports.
 D. All of the above
15. Which of the following occupations are involved in secondary production?
- (1) Office clerk in a garment factory (3) Chef in a restaurant
 (2) Assembly line worker in a toy factory (4) Construction worker
- A. (2) and (4) only C. (1), (2) and (3) only
 B. (3) and (4) only D. (2), (3) and (4) only
16. Hong Kong earns foreign exchange by
- A. acting as an entrepôt.
 B. providing services to tourists.
 C. exporting goods and services to the Mainland and other countries.
 D. All of the above

17. Government revenue grows as

- A. private enterprises earn more.
- B. there is a healthy job market.
- C. the property market and stock market boom.
- D. All of the above

18. The Hong Kong government promotes a favorable business environment by

- (1) maintaining law and order.
- (2) providing education and training to Hong Kong people.
- (3) providing infrastructure.
- (4) controlling capital inflow and outflow.

- A. (1) and (4) only
- B. (1), (2) and (3) only
- C. (2), (3) and (4) only
- D. (1), (2), (3) and (4)

19. Under the ‘big market, small government’ as described by the HKSAR government,

- (1) everyone can start a business regardless of the business nature in Hong Kong.
- (2) the government plays a passive role in facilitating the functioning of the market.
- (3) the government minimizes its intervention in the market.
- (4) the government encourages entrepreneurship and fair competition.

- A. (1) and (3) only
- B. (3) and (4) only
- C. (1), (2) and (4) only
- D. (1), (2), (3) and (4)

20. Which of the following statements regarding the Hong Kong economy is incorrect?

- A. The Hong Kong government has simplified the taxation policy to attract foreign direct investment in recent years.
- B. Although the Hong Kong government does not impose tariffs on imported goods, it levies taxes on certain commodities.
- C. The media in Hong Kong can report any news against the government.
- D. The government regulates the fees of certain services in Hong Kong.

SECTION A

Multiple Choice Questions:

(40 marks)

1)		2)		3)		4)		5)	
6)		7)		8)		9)		10)	
11)		12)		13)		14)		15)	
16)		17)		18)		19)		20)	

SECTION B**(60 marks)**

1) Write up the accounts to record the following transactions for Billy Chow, a wholesaler, and then balance off all the accounts at the end of October 2017 and brought them down to next month. (24 marks)

2017

- Oct 1 Billy Chow deposited \$125,000 into the business bank account as initial capital.
 " 5 Withdrew \$15,000 from the bank and put it into the office safe.
 " 7 Received a cash loan of \$50,000 from Elle Chan.
 " 8 Bought office equipment on credit from Mandy Ltd for \$36,000.
 " 11 Bought a telephone system for \$30,000 in cash.
 " 12 Bought two delivery vans on credit from Nancy Motors for \$80,000.
 " 17 Paid Mandy Ltd \$16,000 in cash.
 " 20 Settled half of the sum owed to Nancy Motors by cheque.
 " 22 Bought conference tables and chairs on credit from Omega Furniture Ltd for \$5,000.
 " 23 Paid Nancy Motors \$20,000 in cash.
 " 24 Repaid \$20,000 of Elle Chan's loan by cheque.
 " 28 Returned one conference chair costing \$300 to Omega Furniture Ltd.
 " 29 Bought lockers from Omega Furniture Ltd for \$2,000 in cash.
 " 30 Sold a delivery van at its original cost of \$26,000 for cash.

Bank

2017	\$	2017	\$

Capital

2017	\$	2017	\$
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Cash

2017	\$	2017	\$
------	----	------	----

Elle Chan

2017	\$	2017	\$
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Office Equipment

2017	\$	2017	\$

Mandy Ltd

2017	\$	2017	\$

Delivery Vans

2017	\$	2017	\$

Nancy Motors

2017		\$		2017		\$

Furniture

2017		\$		2017		\$

Omega Furniture Ltd

2017		\$		2017		\$

LINE targets both individual and business users.

2) It is no surprise that teens and young adults are leading the growth of messaging apps. Among all these instant messaging applications for smartphones and computers, LINE is a “fun” messaging app which is known for its “stickers” of playful characters that users can include in their messages to express themselves. Currently, LINE is free for individual users to download. After opening an account, users can send free “one-on-one and group” text or voice messages, voice and video calls and stickers to friends via LINE anytime, anywhere! LINE’s sticker Shop offers more than 10,000 stickers and emoticons for download. Some are available as free downloads, allowing users to use them over a period of time while some are for purchase costing HK\$10 each set. It is hoped that individual users will develop a habit of using stickers in their messages and will purchase more stickers in the future.

Other than individual users, LINE also expands the business market. Companies or celebrities can pay to open an official account in LINE, allowing individual users to join the group and become a fan of the account. LINE launches free promotional stickers for fans of these business users and celebrities to download. Through these official accounts, celebrities and companies can share their exclusive news and promotions like special coupons with their fans more effectively and quicker.

Dislike other instant message applications, LINE allows individuals to design, submit and sell their own stickers since 2014. Individuals can create both traditional and animated stickers to be sold in the “Creators Market” on the LINE store for 50% of the profits—which will help LINE penetrate new markets. LINE describes its stickers as “larger and more expressive version of emoticons.” Indeed, stickers have largely replaced emoticons and emoji on messaging apps in Asia. Line, which is most popular in Japan, and WeChat, which dominates China, has created marketplaces for artists to sell their sticker designs to users. LINE says it had 259,499 sticker sets available as of March 2016. By that point, its users were sending an average of 389 million stickers per day, or 9% of all messages on the platform.

For now, stickers are a strong business of which LINE has the largest market share in the instant message market using stickers. LINE has inspired Western apps like Snapchat and Facebook Messenger to follow suit. Neither of those apps yet charges for their stickers, but they inevitably will. In fact, up to 2017, LINE is making roughly \$268 million on sticker packs, and even more on in-game purchases and many other applications, like B612 (a selfie app), Emoji LINE, LINE Camera/ Dictionary.

a) Identify the target market of LINE? (4 marks)

f) (i) Identify two reference groups with regard to the case.

(2 marks)

(ii) Based on part (i), explain how the two reference groups help LINE attract new users.

(2 marks)

End-of-Question-Answer-Book

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S4 Business, Accounting and Financial Studies (Management Module)
Marking Scheme

SECTION A

Multiple Choice Questions:

(40 marks)

1)	C	2)	A	3)	B	4)	B	5)	A
6)	A	7)	C	8)	C	9)	C	10)	D
11)	A	12)	C	13)	B	14)	D	15)	D
16)	D	17)	D	18)	B	19)	B	20)	A

SECTION B

(60 marks)

Question 1

(Total: 24 marks)

Bank			
2017		\$	
Oct	1	Capital	125,000
			<u>125,000</u>
Nov	1	Balance b/d	50,000
2017		\$	
Oct	5	Cash	15,000
"	20	Nancy Motors	40,000
"	24	Loan from Elle Chan	20,000
"	31	Balance c/d	50,000
			<u>125,000</u>

Capital			
2017		\$	
Oct	31	Balance c/d	125,000
Nov	1	Balance b/d	125,000

Cash			
2017		\$	
Oct	5	Bank	15,000
"	7	Loan from Elle Chan	50,000
"	30	Delivery vans	26,000
			<u>91,000</u>
Nov	1	Balance b/d	23,000
2017		\$	
Oct	11	Office equipment	30,000
"	17	Mandy Ltd	16,000
"	23	Nancy Motors	20,000
"	29	Furniture	2,000
"	31	Balance c/d	23,000
			<u>91,000</u>

Loan from Elle Chan			
2017		\$	
Oct	24	Bank	20,000
"	31	Balance c/d	30,000
			<u>50,000</u>
Nov	1	Balance b/d	30,000

Office Equipment			
2017		\$	
Oct	8	Mandy Ltd	36,000
"	11	Cash	30,000
			<u>66,000</u>
Nov	1	Balance b/d	66,000
2017		\$	
Oct	31	Balance c/d	66,000

Mandy Ltd

2017			\$	2017			\$	
Oct	17	Cash	16,000	Oct	8	Office equipment	36,000	0.5, 0.5
"	31	Balance c/d	20,000				36,000	0.5
			36,000	Nov	1	Balance b/d	20,000	0.5

Delivery Vans

2017			\$	2017			\$	
Oct	12	Nancy Motors	80,000	Oct	30	Cash	26,000	0.5, 0.5
			80,000	"	31	Balance c/d	54,000	0.5
			80,000				80,000	
Nov	1	Balance b/d	54,000					0.5

Nancy Motors

2017			\$	2017			\$	
Oct	20	Bank (\$80,000 ÷ 2)	40,000	Oct	12	Delivery vans	80,000	0.5, 0.5
"	23	Cash	20,000				80,000	0.5
"	31	Balance c/d	20,000				80,000	0.5
			80,000	Nov	1	Balance b/d	20,000	0.5

Furniture

2017			\$	2017			\$	
Oct	22	Omega Furniture Ltd	5,000	Oct	28	Omega Furniture Ltd	300	0.5, 0.5
"	29	Cash	2,000	"	31	Balance c/d	6,700	0.5, 0.5
			7,000				7,000	
Nov	1	Balance b/d	6,700					0.5

Omega Furniture Ltd

2017			\$	2017			\$	
Oct	28	Furniture	300	Oct	22	Furniture	5,000	0.5, 0.5
"	31	Balance c/d	4,700				5,000	0.5
			5,000	Nov	1	Balance b/d	4,700	0.5

Question 2

(Total: 36 marks)

a) **The target market of LINE are:**

- individual users, (teens and young adults) who love to use stickers in their messages
- individual who like to design their own stickers for sale in LINE
- the company or celebrities who set up an official account to promote their products

(Any two, 2 marks each)

(4 marks)

bi) **LINE is a ‘market leader’ in the instant messaging market that uses ‘stickers’.**

(1 mark)

This is because it has the largest market share, LINE stores have more than 10,000 stickers for download and its users are sending an average of 389 million stickers per day. Moreover Western apps like Snapchat and Facebook Messenger are following LINE to include ‘stickers’ in their apps.

(2 marks)

bii) The two strategies LINE is using to strengthen its market position are

Expanding total market

(1 mark)

Find new users: like expands into the ‘business market’ by allowing companies and celebrities to open their own exclusive accounts. LINE promotes ‘creators market’ allowing individuals to design their own stickers to be sold in LINE.

Introduce new items: LINE continuously introduce other LINE applications for its target market, like B612, LINE Camera and extra. This will attract more people to use LINE related apps or products.

Geographical expansion: LINE which is popular first in Japan, and has been expanding its market all over Asia, like Korea, HK, Thailand and etc

(Any one, 2 marks each)

(2 marks)

Increasing market share

(1 mark)

Steal customers from competitors:

More product version: LINE continuously introduce other LINE applications for its target market, like B612, LINE Camera and extra. This will attract more people to use LINE related apps or products.

Special offers and discounts on its sticker sets: LINE always offers its users free promotional stickers for download in order to encourage more people to use LINE

(Any one, 2 marks each)

(2 marks)

ci) **FOUR types of market research methods:**

(4 marks)

- Survey research method
- Experimental research method
- Qualitative research method
- Observational research method

cii) LINE should use quality research method for its business market, focus group discussion

(1 mark)

LINE needs to gain more insight and understanding about how satisfied its business users are and what types of services and promotions they prefer in the future, therefore, LINE should **invite several of its clients** to participate in the research discussion to provide useful information about it.

(2 marks)

ciii) Two kinds of secondary data LINE can obtain to analysis the performance of its ‘creators market’ are sales figures of individual creators, types of stickers which are most popular, areas or countries which have the most creators. (2 marks)

d) The product and pricing strategies that LINE adopts for business buyers and individual consumers.

Comparison:

	Business buyers	Individual consumers
Product	- <u>More tailor made products</u> , e.g. LINE designs exclusive promotional stickers for official accounts	- <u>More standardized products</u> , e.g. LINE offers the same set of stickers for individual users in the same region
Pricing	- Able to sell products <u>at a higher price</u> as business buyers are less price sensitive, e.g. charging users for a creating a new official account	- Need to sell products <u>at a lower price</u> as individual buyers are more price sensitive, e.g. enabling individual users.

(4 marks for each relevant comparison)

(8 marks)

e) Compare with TV advertisement, two advantages of creating an official account in LINE for promotion to an enterprise:

- A mass advertising is suitable to target individual consumers who are less geographically concentrated, while business buyers are more geographically concentrated, LINE merely needs to carry out promotion by its **own sales force**.

(2 marks for each relevant reason)

(2 marks)

f) (i) In this case:

- the direct reference group, friends, teachers
- the indirect reference group; celebrities such as pop singers and movie stars, are involved.

(any two, 1 mark for each relevant group)

(2 marks)

(ii) To be accepted by friends, users follow what their friends do. People are influenced by friends who have an LINE account and register an account.

To keep current with the life of their idols and use the exclusive stickers from them, people will establish an account and ‘follow’ their idols.

(any one, 2 marks for each relevant group)

(2 marks)