

South Tuen Mun Government Secondary School  
Yearly Examination 2017-2018  
S5 Business, Accounting and Financial Studies (Management Module) - Paper I  
(This Question-Answer Book consists of 10 pages)

Maximum marks: 90 (To be converted to 80 marks)

Time allowed: 1 1/4 hrs

Class: \_\_\_\_\_

Name: \_\_\_\_\_

Class No: \_\_\_\_\_

**Instructions:**

1. There are TWO sections in this paper: Section A (60 marks) and Section B (30 marks).
2. Answer ALL questions in Section A (60 marks) and Part 1 of Section B (20 marks).  
For Part 2 of Section B (10 marks), answer ONE of the TWO questions.
3. Answer ALL your questions in this Question-Answer Book.

**SECTION A**

**Multiple Choice Questions**

**(60 marks)**

Answer ALL questions in this section. Mark your answers in the boxes provided on p. 5.

- 1 Which of the following is a characteristic of SMEs in Hong Kong?  
A. Flexible operation  
B. Easy to raise capital  
C. Dominant in the market  
D. Separate ownership and management
- 2 Which of the following is a favourable physical factor that Hong Kong possesses?  
A. Good communication network  
B. Efficient government  
C. Sound legal system  
D. Proximity to the Mainland
- 3 On 1 June 2017, Gary Lee started a trading business. On that date, he contributed to his business \$25,000 in cash and \$30,000 in equipment. The business also obtained a bank loan of \$120,000 on the same date to purchase a motor van.  
  
As at 1 June 2017, the capital balance at Gary's business was:  
A. \$25,000                      B. \$30,000                      C. \$55,000                      D. \$175,000
- 4 A company can fulfil its social responsibilities to its employees by  
(1) involving them in all the decision-making processes.  
(2) giving all of them fair remuneration.  
(3) providing them with fair promotion opportunities.  
A. (1) and (2) only                      B. (1) and (3) only  
C. (2) and (3) only                      D. (1), (2) and (3)
- 5 A large toy chain store winds down. Which of the following are the possible adverse consequences to its stakeholders?  
(1) Customers cannot purchase goods at its stores.  
(2) Banks may not be able to get back the money they loaned to the company.  
(3) Toy manufacturers may not be able to distribute their toys through the stores.  
A. (1) and (2) only                      B. (1) and (3) only  
C. (2) and (3) only                      D. (1), (2) and (3)



- 13 Which of the following descriptions about a joint venture is correct?
- A. A joint venture must operate in the form of a limited company.
  - B. A joint venture can enjoy a tax concession when entering new markets.
  - C. Partners in a joint venture usually share the profits and losses of the joint venture equally.
  - D. The joint venture has a separate legal status from the partners in it.

14 The following are balances extracted from Jim Co's books for the year ended 30 September 2017:

Opening inventory	\$20,000
Sales	\$250,000
Purchases	\$80,000
Carriage inwards	\$5,000
Carriage outwards	\$8,000
Returns inwards	\$3,500

Given that the closing inventory was half that of the opening inventory, gross profit for the year amounted to

- A. \$143,500.
  - B. \$151,500.
  - C. \$161,500.
  - D. \$167,500.
- 15 On 1 January 2016, Jenny Chan started a business. On that date, she provided to the business a cheque of \$30,000 and premises worth \$220,000. The business earned a net profit of \$88,000 in its first year of operation. During that year, Jenny withdrew \$10,000 from the business bank account for her personal use.

The capital balance of the business as at 31 December 2016 was

- A. \$88,000.
- B. \$250,000.
- C. \$328,000.
- D. \$348,000.

- 16 If a business has been operating at a loss for five consecutive years,
- A. the going concern concept is no longer applicable.
  - B. this means the business has incurred a gross loss for five consecutive years.
  - C. all business transactions should be recorded on a cash basis.
  - D. All of the above statements are incorrect.

Read the information below and answer questions 17 and 18.

- 17 Which of the following statements are correct?
- (1) BAFS Cleaning Company is an SME.
  - (2) The company engages in tertiary production.
  - (3) The owner must be the company's only employee.

BAFS Cleaning Company
Number of owners: 1
Liability: Unlimited

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

18 Which of the following are the possible sources of capital for BAFS Cleaning company?

- (1) Personal savings
- (2) Retained profits
- (3) Issuing shares to new shareholders

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



- 26 What is the advantage of setting up a company in the form of a partnership instead of a private limited company?
- The company can enjoy a lower profits tax rate.
  - The owners can have limited liability.
  - It is easier to raise capital, resulting in a better chance of development.
  - The company can elect a board of directors to run the business.
- 27 Joe Wong, a sole proprietor, took goods of \$200 from the inventory as a birthday gift for his daughter. Those goods had a selling price of \$400. The double entry to record this transaction should be:
- Dr Drawings \$200; Cr Purchases \$200
  - Dr Drawings \$400; Cr Purchases \$400
  - Dr Capital \$200; Cr Purchases \$200
  - Dr Drawings \$200; Cr Inventory \$200
- 28 The aim of the WTO is to
- serve as a forum for multilateral trade negotiations.
  - promote economic development in developing countries.
  - settle disputes between its members.
- (1) and (2) only
  - (2) and (3) only
  - (1) and (3) only
  - (1), (2) and (3)
- 29 According to the definition by the Trade and Industry Department, which of the following is an SME?
- A real estate agent with 70 employees
  - A kitchenware manufacturer with 90 employees
  - A supermarket with 20 employees
- (1) and (2) only
  - (2) and (3) only
  - (1) and (3) only
  - (1), (2) and (3)
- 30 A sole proprietor paid a \$5,000 electricity bill for his business using his own money. Which of the following statements are correct?
- This transaction should be recorded as follows: Dr Electricity \$5,000; Cr Drawings \$5,000.
  - The electricity bill should be treated as an operating expense of the business even when it is paid for by the owner.
  - The business entity concept was violated.
  - In this transaction, the sole proprietor contributed capital of \$5,000 to the business.
- (1) and (3) only
  - (2) and (4) only
  - (1), (2) and (4) only
  - (2), (3) and (4) only

**SECTION A**

**Multiple Choice Questions**

**(60 marks)**

<b>1.</b>		<b>2.</b>		<b>3.</b>		<b>4.</b>		<b>5.</b>	
<b>6.</b>		<b>7.</b>		<b>8.</b>		<b>9.</b>		<b>10.</b>	
<b>11.</b>		<b>12.</b>		<b>13.</b>		<b>14.</b>		<b>15.</b>	
<b>16.</b>		<b>17.</b>		<b>18.</b>		<b>19.</b>		<b>20.</b>	
<b>21.</b>		<b>22.</b>		<b>23.</b>		<b>24.</b>		<b>25.</b>	
<b>26.</b>		<b>27.</b>		<b>28.</b>		<b>29.</b>		<b>30.</b>	

**SECTION B Part 1**

Answer **ALL** questions in this section. (Total: 20 marks)

1 Dave runs a restaurant in Tsuen Wan. He learns that the government has recalled all meat products supplied by a Brazilian factory. If people consume the tainted meat, they might develop health problems. However, he has a lot of frozen meat stock which was supplied by this factory.

(a) Dave plans to cook the frozen meat and offer it in dishes on the menu at a discounted price for his customers. Explain two possible adverse impacts on his business if newspapers uncover the truth. (4 marks)

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(b) Apart from his customers, identify two types of stakeholders of Dave’s business. (2 marks)

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**(Total: 6 marks)**

2. Charles Lee is a sole trader. The following balances were extracted from the books of his business as at 31 October 2017, the last day of the current financial year:

	\$
Sales	309,400
Purchases	123,015
Wages and salaries	81,139
Other operating expenses	5,818
Furniture and fixtures	600,000
Trade receivables	21,477
Trade payables	1,090
Inventory, 1 November 2016	11,697
Capital, 1 November 2016	532,668
Returns outwards	509
Carriage outwards	1,438
Bank overdraft	917

*Required:*

- (a) Prepare for Charles Lee's business a trial balance as at 31 October 2017. (6 marks)

- (b) Does the trial balance agree? State one reason for preparing a trial balance. (2 marks)

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**(Total: 8 marks)**

3. Silver City Limited has four departments, namely human resources department, sales and marketing department, purchasing department and accounting department. Employees of these departments have their own duties.

(a) Which method of forming departments is adopted by Silver City Limited? (2 marks)

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(b) State two tasks within human resources department. (2 marks)

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(c) Explain two advantages of division work. (2 marks)

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**(Total: 6 marks)**

**End of SECTION B Part 1**



**SECTION B****Part 2**

Answer one of the two questions in this part.

(Total: 10 marks)

4 Gogo Supermarket had the following financial information as at 31 December 2017: buildings \$500,000; office equipment \$430,000; shop fixtures \$380,000; bank \$600,000; cash \$300,000; inventory \$600,000; short-term bank loan (repayable on 30 June 2018) \$400,000; other payables \$200,000; and 5-year bank loan (repayable on 30 June 2022) \$130,000.

- (a) Calculate the business's current ratio and quick ratio. (5 marks)

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Alan, the CEO of the supermarket, delegates authority to managers. He does not provide any instructions or guidance to them. He allows managers from different departments to decide what they want to do and how to complete their tasks.

- (b) Identify Alan's leadership style. (1 mark)

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- (c) Explain two disadvantages of this leadership style. (4 marks)

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5 Ray, Mark and Connie set up a business, Solution Pro, which specialises in providing computer hardware, software and system development services for companies, in the form of a limited partnership. They signed an agreement as follows:

- Only Mark and Connie will invest money in the business.
- While Connie is involved in the management of the business, Ray and Mark will not take part in the running of the business.

(a) Identify the nominal partner and limited partner in the partnership. (2 marks)

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(b) Suggest two ways that a nominal partner can contribute to a partnership. (4 marks)

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A business consultant advised that Mark and Connie that they should pay attention to risk management at the company.

(c) Explain what risk management is. (1 mark)

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(d) Identify three types of risk that Steve faces and suggest how they can be managed. (3 marks)

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**End of Question-Answer Book**

End-of-Question-Answer Book  
 South Tuen Mun Government Secondary School  
 Yearly Examination 2017-2018  
 S5 Business, Accounting and Financial Studies Paper 1  
 (This Marking Scheme consists of 4 pages)

**SECTION A**

**Multiple Choice Questions**

**(60 marks)**

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

**SECTION B**

**Part 1**

**(20 marks)**

- 1 (a) The possible adverse impacts on Dave's business are: (4)
- His unethical practice will harm the reputation of his business.
  - Customers will lose confidence in his food. Thus, the company's sales and prospects will be affected in the long run.
  - The affected customers may file a compensation claim against him.

*(Any two, 2 marks each)*

- (b) The stakeholders of Dave's business are: (2)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Employees</li> <li>• Suppliers</li> <li>• Creditors</li> </ul> | <ul style="list-style-type: none"> <li>• The government</li> <li>• The community and society</li> </ul> |
|---|---|

*(Any two, 1 mark each)*

**(Total: 6 marks)**

- 2 (a)

**Charles Lee**  
**Trial Balance as at 31 October 2017**

	<i>Dr</i>	<i>Cr</i>	
	\$	\$	
Sales		309,400	0.5
Purchases	123,015		0.5
Wages and salaries	81,139		0.5
Other operating expenses	5,818		0.5
Furniture and fixtures	600,000		0.5
Trade receivables	21,477		0.5
Trade payables		1,090	0.5
Inventory, 1 November 2016	11,697		0.5
Capital, 1 November 2016		532,668	0.5
Returns outwards		509	0.5
Carriage outwards	1,438		0.5
Bank overdraft		917	0.5
	844,584	844,584	

- (b) **The trial balance agrees.** (1)

A trial balance is prepared to test the arithmetical accuracy of double entries made in the ledger accounts by checking whether the total of debit and credit balances extracted

from ledger accounts are equal.

(1)  
(Total: 8 marks)

3 (a) By function (2)

(b) **Human resources management tasks:** (2)

- Human resources planning
  - Recruitment and selection
  - Training and development
  - Performance appraisal
  - Compensation and benefits management
- (Any two tasks, max 2)*

(c) **Advantages of division of work:** (2)

- Workers learn faster when they are given only one task.
  - Workers improve their skills by repeating a task many times. Productivity can be raised as workers only work on what they are good at.
  - Time can be saved as workers do not have to switch from one job to another.
  - Fewer tools are needed in production as each worker is responsible for one specific task.
  - Facilitated automation.
- (Any two advantages, max 2)*

(Total: 6 marks)

## SECTION B

## Part 2

(10 marks)

4 (a) Current ratio:

$$\frac{\text{Current assets}}{\text{Current liabilities}} : 1$$

$$= \frac{\$600,000 + \$300,000 + \$600,000}{\$400,000 + \$200,000} : 1 \quad (2)$$

$$= 2.5 : 1 \quad (0.5)$$

Quick ratio

$$\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} : 1$$

$$= \frac{\$600,000 + \$300,000}{\$400,000 + \$200,000} : 1 \quad (2)$$

$$= 1.5 : 1 \quad (0.5)$$

(b) Alan has adopted a laissez-faire leadership style. (1)

(c) The disadvantages of Alan's leadership style are:

- Alan's leadership style may lead to chaos when managers just focus on their own tasks and fail to cooperate with others. (2)
- Inexperienced and passive managers may feel frustrated and helpless as they do not receive any instructions and guidance from Alan in performing their jobs. (2)

**(Total: 10 marks)**

5 (a) Ray is the nominal partner and Mark is the limited partner. (2)

(b) A nominal partner can contribute to a partnership as follows:

- A nominal partner has a reputation. Thus, he can enhance the reputation of the business.
- A nominal partner has the expertise that the business requires. He can provide professional advice to the business.
- A nominal partner can work as a consultant at the firm. He can strengthen the business linkage with other parties.

*(Any two of the above, 2 marks for each point)* (4)

(c) Risk management is a business function of assessing and identifying a company's exposure to various types of risk and developing methods to minimize losses. (1)

(d) Risks faced by Steve and ways to handle those risks are as follows:

- Fire: Buy insurance (or install fire alarms, automatic sprinkler system, etc.)
- Theft: Buy insurance (or hire security guards)
- Server breakdown: Check server regularly (or have back-up machines) (3)

*(Any three of the above, 1 mark for listing the risk, 1 mark for the method suggested)***(Total: 10 marks)**