

Business, Accounting and Financial Studies Paper 1A

Accounting Strand

Mock Exam Paper (Mar 2024)

This paper must be answered in English.

Time allowed: 1 hour

GENERAL INSTRUCTIONS:

- 1 There are TWO sections, A and B, in this Paper. Section A consists of multiple-choice questions and Section B contains short questions.
 - 2 Answer ALL questions.
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INSTRUCTIONS FOR SECTION A (MULTIPLE-CHOICE QUESTIONS):

- 1 All questions carry equal marks.
- 2 ANSWER ALL QUESTIONS.
- 3 You should mark only ONE answer for each question. If you mark more than one answer, you will receive NO MARKS for that question.
- 4 No marks will be deducted for wrong answers.

SECTION A (48 marks)

There are 24 questions in this section. Answer **ALL** questions. Choose the **best** answer for each question.

- 1** Which of the following is/are the advantage(s) of a partnership?
- (1) General partners have limited liabilities.
 - (2) It is easy to set up a partnership.
 - (3) All partners are bound by the decisions made by any one of the general partners.
- A. (2) only
B. (1) and (2) only
C. (1) and (3) only
D. (2) and (3) only
- 2** Carson Company invests \$20,000 and wants to maximise the return on its investment. Which of the following should it choose?
- A. 3 years at 8% annual interest, compounded annually
B. 3 years at 8% annual interest, compounded semi-annually
C. 3 years at 8% annual interest, compounded quarterly
D. 3 years at 9% annual interest, compounded annually
- 3** The manufacturing department of ABC Company is responsible for the entire production process for all company products while all promotion tasks are handled by the marketing department. It forms its departments by
- A. product.
B. function.
C. location.
D. customer
- 4** Which of the following is/are feature(s) of the Hong Kong economy?
- (1) Hong Kong government does not impose sales tax on all goods and services.
 - (2) Most businesses in Hong Kong are small and medium enterprises.
 - (3) Hong Kong is a founding member of Asia-Pacific Economic Cooperation (APEC)
- A. (2) only
B. (1) and (2) only
C. (1) and (3) only
D. (1), (2) and (3)

5 An accounting firm is considered socially responsible to its clients if it

- (1) sets reasonable prices for its services.
- (2) provides services up to the legal and professional standards.
- (3) offers discounts to loyal customers.

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

6 An Indian restaurant chain is considering establishing branches in Hong Kong. Which of the following is/are economic factor(s) that may affect the firm?

- (1) Customers' preference for Indian cuisine
- (2) Unemployment rate
- (3) Rental index

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

7 The following is the information about two firms:

	Firm A	Firm B
Major source of capital	Provided by owners	Issuing shares
Separate legal existence	No	Yes
Number of owners	15	No upper limit
Disclosure of financial statements to the public	Not required	Required

The forms of business ownership of Firm A and Firm B are:

Firm A

- A. Sole proprietorship
- B. Public limited company
- C. Partnership
- D. Private limited company

Firm B

- Private limited company
- Private limited company
- Public limited company
- Public limited company

- 8** Which of the following are the advantages of a flat structure?
- (1) Encourages creativity
 - (2) Faster decision-making
 - (3) Improves communication among employees
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
- 9** In Hong Kong, a small and medium enterprise (SME) is
- A. a manufacturing business which employs fewer than 50 people or a non-manufacturing business which employs fewer than 100 people.
 - B. a manufacturing business which employs fewer than 100 people or a non-manufacturing business which employs fewer than 50 people.
 - C. a sole proprietorship which employs less than 10 employees.
 - D. sole proprietorships and partnerships which employ fewer than 50 people.
- 10** Alicia deposits \$15,000 in a two-year bank deposit plan that pays 8% annual interest in the first year and 6% in the second year. If she withdraws \$500 for consumption at the end of the first year, what is the balance of the deposit at the end of the second year?
- A. \$14,640
 - B. \$16,642
 - C. \$17,401
 - D. \$17,500
- 11** Which of the following statements about World Trade Organization (WTO) is correct?
- (1) Decisions made by WTO are reached by consensus
 - (2) It aims at promoting free trade.
 - (3) It arbitrates trade disputes between WTO members.
- 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 is a difference between a credit card and a personal loan?

	<u>Credit card</u>	<u>Personal loan</u>
A. Monthly minimum payment	No	Yes
B. The amount on which interest is charged	The unpaid balance	The amount borrowed
C. Pre-approved credit limit	No	Yes
D. Repayment flexibility	Yes	Yes

13 Which of the following descriptions of the Hang Seng Index is/are correct?

- (1) 'Properties' and 'Finance' are sub-indexes of the Hang Seng Index.
 - (2) Constituent companies may change overtime, but the number of constituent stocks is fixed.
 - (3) It is a platform for companies to list their stocks and raise fund.
- A. (1) only
B. (1) and (2) only
C. (1) and (3) only
D. (2) and (3) only

14 Which of the following are the role of information management?

- (1) Enhancing information security
 - (2) Facilitating communication between departments
 - (3) Increasing the risk of information being stolen by hackers
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

15 Which of the following are the impacts of globalisation on Hong Kong businesses?

- (1) They need to face keen competition from all over the world.
 - (2) They can improve their product quality through global sourcing.
 - (3) It is difficult for them to recruit experts from overseas.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

- 16** A restaurant owner assigns different responsibilities to his employees, such as restaurant managers, chefs, waiters/waitress, cashiers and receptionists. This is an application of
- A. delegation
 - B. division of work
 - C. unity of command
 - D. unity of direction
- 17** ABC company have several departments. The major goal of the company is to provide quality service to its customers. To achieve this, the human resources manager asked his subordinate, Betty, to find a trainer to train its salespersons. Betty reports only to the human resources manager.

Which of the following principles of effective management are illustrated in this scenario?

- (1) Unity of direction
 - (2) Unity of command
 - (3) Division of work
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
- 18** The following information is related to an investment project:

Initial cost: \$27,500

Discount rate: 10%

Investment period: 3 years

The project will generate cash flows of \$9,000 and \$12,000 at the end of Year 1 and Year 2, respectively. What is the amount of cash flow at the end of Year 3 so that the net present value of the project is close to zero?

- A. \$7,063
- B. \$8,652
- C. \$9,401
- D. \$12,513

19 Ignoring other factors, which of the following will lead to a decrease in the share price of a listed fashion chain?

- (1) People are unwilling to spend money because of economic recession
- (2) The company is facing a severe backlash for its sexist advertisements
- (3) The government raises the profits tax rate for limited companies

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

20 Which of the following about delegation of authority are correct?

- (1) It can reduce the superior's supervision over the subordinates.
- (2) Managers are still accountable for the results of the tasks delegated to subordinates.
- (3) It facilitates division of work.

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

21 Patrick is the owner of a trading firm. In view of limited resources, he has to choose among two mutually exclusive projects. The cost of capital of his business is 10% per annum. The expected cash flows of the two projects for a period of three years are as follows:

<u>Year</u>	<u>Project A</u>	<u>Project B</u>
0	-\$1,000,000	-\$1,000,000
1	\$600,000	\$200,000
2	\$500,000	\$400,000
3	\$300,000	\$800,000

Assuming the cash inflows are to be received at the end of each year, which project should he choose?

- A. Project A, because the net present value (NPV) of Project A is higher.
- B. Project B, because the NPV of project B is higher.
- C. Either one, because the NPVs of both projects are positive.
- D. None of the projects, because the NPVs of both projects are negative

- 22** Which of the following about the Mandatory Provident Fund (MPF) System is correct?
- A. Employees can only withdraw their accrued benefits at age 65 under any circumstances.
 - B. Ms Cheung is a self-employed hawker. She is required to contribute a total of \$10,000 mandatory contribution to her MPF scheme because she earned \$200,000 last year.
 - C. Employees can transfer the mandatory portion of their accrued benefits to an MPF scheme of their own choice once a year.
 - D. Both employers and employees can choose to make voluntary contributions.
- 23** Sunrise Limited has 10 employees. Which of the following is/are the general characteristic(s) of this type of company?
- (1) It is difficult for the company raise funds.
 - (2) It enjoys a lower profits tax rate.
 - (3) It has a small market share.
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
- 24** Mabel is one of the owners of Firm X. She enjoys limited liability and is not involved in the management of the business. However, she is responsible for the consequences of the decisions made by other owners of the firm. Firm X is a
- A. general partnership.
 - B. public limited company.
 - C. private limited company.
 - D. limited partnership.

END OF SECTION A

SECTION B (24 marks)

Answer **ALL** questions in this part.

- 1** Innovative Company is an advertising agency founded by Patsy, Jordan and Michelle. Patsy mainly focuses on creating and producing advertisements for clients. Jordan and Michelle are responsible for administration, marketing and finance tasks.

Being the creative director, Patsy often encourages her employees to share their thoughts at meetings so as to come up with new ideas. As employees know that their ideas are considered by Patsy, they are highly motivated and participate actively at meetings.

- (a) Identify the principle of effective management adopted by Innovative Company. (1 mark)
- (b) State and explain the type of leadership style adopted by Patsy. (3 marks)
- (c) Explain two advantages of the leadership style in (b). (4 marks)

(Total: 8 marks)

- 2** Matthew graduated from a university last year and worked at a bank as a management trainee. He planned to get married with his girlfriend, Jocelyn, in five years.

- (a) State two financial needs that Matthew has in his current life stage. (2 marks)

Five years later, Matthew estimated that he is \$100,000 short of the funds needed for the wedding. He considered taking out a personal loan or using a bank overdraft for that purpose. Jocelyn reminds Matthew that he needs a good credit rating in order to obtain a personal loan.

- (b) Assume that Matthew finally decided to take out a personal loan instead of using a bank overdraft. Give two reasons to support his decision. (4 marks)
- (c) Suggest two ways for Matthew to improve his personal credit rating. (2 marks)

(Total: 8 marks)

3 Hayley is a fashion designer. She operates a boutique to sell clothing designed by herself. As her clothing is well received by customers. She is now considering expanding her business by setting up an online store to sell worldwide.

- (a) Explain one technological factor and one cultural factor that Hayley should consider when planning her online store. (4 marks)

A business consultant advised Hayley to be socially responsible to her stakeholders.

- (b) Identify and illustrate with an example how Hayley can be socially responsible to two of her stakeholders. (4 marks)

(Total: 8 marks)

END OF PAPER