

HONG KONG ASSOCIATION FOR BUSINESS EDUCATION**HONG KONG DIPLOMA OF SECONDARY EDUCATION
EXAMINATION
2015/2016****BUSINESS, ACCOUNTING AND FINANCIAL STUDIES
MOCK EXAMINATION****PAPER 1
(SUGGESTED MARKING SCHEME)**

Section A (2 marks each, 60 marks)

SECTION A (60 marks) Multiple-choice Questions

Suggested Answers for Multiple Choices: 30@2% = 60%

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

Section B (30 marks)

General Principles of Marking

- The answers given in this marking scheme are 'suggestions' only. Other relevant answers will also be accepted.
- Where the number of points required is specified in a question, markers will mark the first listed points up to the number required, and cross out other points as 'excess'.
- The general guidelines for points which are awarded 0 to 2 marks each are as follows:
 - 0 mark : irrelevant or ambiguous answers
 - 1 mark : mention of key concept or words
 - 2 marks : explanation of the concept stated

(Suggested Answers)

SECTION B (30 marks) Short Questions**Question 1**

(a)	Unity of direction (1) - ensure that all employees follow the same plan and have the same goal (1)	2
	'Division of work', 'Authority and responsibility' or 'Unit of command' or 'Management by objectives' is not acceptable.	
(b)	Division of labour (0.5) - allows each sales manager concentrate on and responsible for the sales of each area (0.5) Unity of command (0.5) - requires each sales manager to be directly responsible to John/general manager only (0.5)	2
	'Authority and responsibility' or 'Management by objectives' is not acceptable.	
(c)	Economic Factor: (1 mark for any of the following) 'Income level /affluence of HK people' or 'Foreign exchange rate fluctuation' Social Factor: (1 mark for any of the following) 'Travel preference/habits such as language barrier' or 'Ageing of HK population' or 'Trends affected by pop culture' or 'Safety concerns of the tourists such as high crime rate/hostile attitude towards tourists'	2

Question 2

(a)	Net present value of plan A: $= -30,000 + [-30,000/(1 + 6\%/2)] + [35,000/(1+6\%/2)^2] + [40,000/(1 + 6\%/2)^3]$ $= \$10,470.31$ (1) Net present value of plan B: $= -60,000 + [35,000/(1+6\%/2)^2] + [40,000/(1 + 6\%/2)^3]$ $= \$9,596.52$ (1) Andy should choose Plan A because the net present value of Plan A is higher than Plan B. (1)	3
(b)	Assuming you deposit \$100 at HK bank on 1 st of January, the interest credited to your bank account on 30 th of June = $\$100 \times 6\%/2 = \3 the interest credited to your bank account on 31 st of Dec = $\$(100+3) \times 6\%/2 = \3.09 The effective annual rate at the moment is: $\$(100 + 3 + 3.09 - 100)/100 = 6.09\%$ Alternatively, $(1 + 6\%/2)^2 - 1 = 6.09\%$	1
(c)	Personal loan or Non-revolving loan/credit or Travel loan or Instalment loan (any one → 1 mark) One of the following reasons: (any one → 1 mark) 'lower cost of credit, i.e. lower interest rate', or 'longer repayment period' or 'easily plan for repayments' (1)	2

Question 3

(a)	<p>The answers could be derived in the following sequence:</p> $(f) = 400,000/4 - 30,000 = \$70,000 \quad (0.5)$ $(c) = (70,000 + 30,000) \times 0.8 - 20,000 = \$60,000 \quad (1)$ $(b) = 400,000 - 20,000 - 60,000 = \$320,000 \quad (0.5)$ $(a) = 375,000 + (10,000 + 30,000 + 70,000) - 400,000 = \$85,000 \quad (0.5)$ $(d) = 54,000/0.15 \times 2 - 375,000 = \$345,000 \quad (1)$ $(e) = 345,000 + 54,000 - 375,000 = \$24,000 \quad (0.5)$	4
	<p>(a) 85,000 (1/2) (b) 320,000 (1/2) (c) 60,000 (1) (d) 345,000 (1) (e) 24,000 (1/2) (f) 70,000 (1/2)</p>	
(b)	<p>The current ratio of Kingsley's business is much higher than the industry average, the higher current ratio may imply that Kingsley might not fully utilise the resources to grasp the investment opportunity. (1)</p> <p>The large difference of the current and quick ratio may also imply that Kingsley keeps excessive inventory. (1)</p> <p>The quick ratio of Kingsley's business is lower than the industry average. The Kingsley's business is less able to pay the immediate debts / may become insolvent if all current liabilities have to be paid in a short period of time. (1)</p>	Any 2
(c)	<p>Inventory control/management . (1)</p> <p>It makes sure that there is sufficient inventory for meeting the demand of customers.</p> <p>Or</p> <p>It is useful in preventing piling up of inventory or reducing the costs of storage. (1)</p>	2

Question 4

(a)	<p>Functional departmentalization / Departmentalization by function (1) - Functional departments are formed by grouping jobs performing similar functions, for example, the accounting department, production and marketing department. (1)</p> <p>or</p> <p>Geographical departmentalization / Departmentalization by location (1) - Grouping jobs according to locations, for example, HK Island, Kowloon and New Territories. (1)</p>	2
	<p>Not probable in this situation because: 1) By product: the company supplies football jerseys only. 2) By customer: there are only two types of customers i.e. schools and sports teams. 3) By process: only buying and selling jerseys.</p>	
(b)	<p>- Change to participative(or democratic) leadership (1)</p> <p>- Alan's autocratic style has negative impacts on employees' motivation / Workers may become passive and unwilling to take initiatives on their jobs, resulting in high turnover and absenteeism rate.(1)</p> <p>- But participative leadership can delegate authority and involve employees in decision-making that would enhance staff morale. (1)</p>	3
	<p>Supportive Leadership is not suitable because there are 200 employees and Alan could not work through the tasks with all employees to improve their skills.</p>	
(c)	<p>- Employees (1/2) : pay wages on time / offer reasonable wages / provide safety working environment (1/2)</p> <p>- Creditors or Suppliers (1/2) : pay promptly to bank and suppliers / provide accurate financial information to bank (1/2)</p> <p>- Customers (1/2) : provide safe products to them / provide enough information for them to choose / react to customers' requests or expectations (1/2)</p>	Any 2
(d)	<p>- The going concern concept should be applied. (1)</p> <p>- Going concern concept states that a business is assumed to continue to operate in the foreseeable future and there is no intention or necessary to liquidate or curtail significantly the scale of operation, unless there are evidences on the contrary. (1)</p> <p>- Since the continuity of the company is questionable, the going concern concept requires all assets should be stated at salable value (more exactly should be Net Realisable Value) instead of costs. (1)</p>	3

Question 5

(a)	<p>General economic condition (0.5) A huge economic downturn within a short period of time will definitely reduce companies' profitability and then people's confidence to make investments. (1)</p> <p>Speculation (0.5) Widespread rumors or major financial crises (such as the collapse of large financial institutions or huge devaluation of currencies) will severely diminish the confidence of the public in the stock market. (1)</p>	Two points for 3 marks
	<p>The performance of particular companies or the prospects of particular industries will not affect the whole market trend drastically. The magnitude of change in market interest rate will not be large within a short time to cause major fluctuation of the market. Dividend policy of a particular company will not affect the whole market greatly.</p>	
(b)	<ul style="list-style-type: none"> - More ways/easier to raise capital (1) - Greater amount of raised capital comparing with other forms of business (1) - Easily attract fundamental investors or large investment funds that may increase the channels of raising capital in the future (1) 	Any 2
(c)	<p>Financial management (1) Working capital management such as providing adequate cash flows for the business / Any other financial decisions such as raising funds in need for operations and investment (1)</p> <p>or</p> <p>Risk management – specifically financial risk (1), not other irrelevant risks (0) Hedging in the futures market to reduce price risk, foreign exchange risk etc. (1)</p> <p>Not acceptable: Human resources management, Operations management, Marketing management and Information management.</p>	2
(d)	<p>It violates business entity concept (1)</p> <p>A business is considered as a separate entity distinguishable from its owner and from all other entities. (1)</p> <p>Accounting records should not be kept jointly for the four companies. A separate set of accounting record should be maintained for each company. (1)</p>	3