

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS &

HONG KONG ASSOCIATION FOR BUSINESS EDUCATION

HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION 2022/23

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES**MOCK EXAMINATION****PAPER 1****(Marking Schemes)****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
B	C	C	D	C	B	A	D	C	D
11	12	13	14	15	16	17	18	19	20
A	A	B	D	A	C	C	D	B	B
21	22	23	24	25	26	27	28	29	30
A	C	B	D	A	D	B	A	B	C

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**Part 1**

Marks

Question 1

- (a) Unity of command 1 mark
- (b) • Contradictory instructions/ Confusion to subordinates 1 mark
 If committee members receive instructions from the two department managers, they may feel confused when the managers give conflicting instructions to him.
 • Overload subordinates / Affect operational efficiency and effectiveness
 If committee members receive orders from different managers at the same time, they may be overloaded with work and may fail to complete the assigned tasks as scheduled. This will affect operational efficiency and effectiveness of the company.
 (1 mark for each problem, max 1 mark)
- (c) Laissez-faire / Free rein leadership 1 mark
- (d) • Subordinates are experienced and can handle the tasks independently. 2 marks
 • The freedom given to subordinates can encourage creativity and innovation.
 • Subordinates have a proven record of achievements.
 (2 marks for each reason, max. 2 marks)
- (e) Financial Management Department can conduct financial analysis/ monitor actual expenses/ conduct financial control under the financial plan to assess the performance of the project. 2 marks
 Marketing Department will make use of the financial result to evaluate the company's marketing performance/ review or adjust appropriate marketing strategies.
 (1 mark for department function and 1 mark for cooperation, max. 2 marks)

 7 marks

Question 2

Marks

- (a) • David's assumption on the discount rate is smaller than that adopted by his wife and therefore gets a higher NPV. 2 marks
- David may calculate the NPV by using the projected returns as the cash inflows while Mary calculates it by using guaranteed returns, which are lower than the projected returns.

(1 mark for each appropriate reason and 1 mark for relevant explanation, with a maximum of 2 marks)

- (b) Different listing requirements of the Main Board and GEM related to management continuity: 2 marks

	Main Board	GEM
Management continuity (Not trading record)	No significant change for management in the latest three financial years (1)	No significant change for management throughout the two full financial years and up until the date of listing. (1)

- (c) David's monthly contribution: $[(\$180,000 / 12) + (\$300,000 * 2\%)] * 5\% = \$1,050$ 2 marks
(1 mark)

His responsibility as an employee in the MPF scheme includes:

- Employees should regularly check their pay-records and ensure that contributions are made on time by their employers.
- Bear the risk and consequence of his own investment in the MPF scheme.
- Review/Understand fund choice/Select the investment fund in the MPF scheme in accordance with his risk tolerance level.
- Report infringement of rights
- Arrange MPF accounts when changing jobs

(1 mark for each appropriate responsibility, with a maximum of 1 mark)

- (d) Bank overdraft (1) 2 marks

Advantage:

It can avoid paying the service charge of cheques being rejected. (1)

8 marks

Question 3

Marks

- (a) According to going concern concept (1), a business is assumed to continue to operate in the foreseeable future. It is assumed that the firm would have no intention to wind up or to significantly cut down the operation scale. (1)
 Since Lee's business foresees winding up in the near future (within 3 months), the assets should be recorded at the liquidation values /net realizable values instead of disposal values (1)

3 marks

(b)

Capital					
			2022		\$
			Apr 10	Salaries	20,000 0.5
			Apr 12	Bank	2,000 0.5
Bank					
	2022		\$	2022	\$
0.5	Apr 12	Capital	2,000	Apr 13	Transportation insurance 300 0.5

2 marks

5 marks

Part 2

Marks

Question 4

(a) Trial balance cannot detect all kinds of accounting errors. 1 mark

(b) Esther

Income statement for the year ended 31 December 2022

	\$	\$	Marks
Sales (bal. fig.)		1,225,200	0.5
Less: Returns Inwards		200	0.5
Net sales (147,000/12%)		1,225,000	0.5
Less: Cost of goods sold			
Opening inventory	100,000		0.5
Purchases	810,750		0.5
Carriage inwards (17,000+23,000)	40,000		0.5
	950,750		
Less: Closing inventory	32,000	918,750	0.5
Gross Profit		306,250	
Less: Other expenses			
Discounts allowed (bal. fig.)	139,250		0.5
Carriage outwards (60,000-40,000)	20,000	159,250	0.5
Net profit		<u>147,000</u>	

*Format 0.5

(5 marks)

Question 4

Marks

(c) Political factor:

4 marks

Factor	Hindrance
<ul style="list-style-type: none"> Political environment in Europe is not stable War in Europe / between Russia and Ukraine The relationship between some of the European governments and the Chinese government / the Russian government is poor 	<ul style="list-style-type: none"> Esther cannot sell goods from Russia to European companies Companies from Europe boycott Russian products More restrictions were imposed by the European governments on Chinese and Russian products. Companies in Europe may not be able to operate.

(1 mark for the factor, 1 mark for the hinderance on Esther's company)

Economic factor:

Factor	Hindrance
<ul style="list-style-type: none"> • Higher inflation rate in Europe • Higher interest rate in Europe • Overall economic environment in Europe (unemployment rate not allowed) • Trade barriers to protect their local economy • Fluctuation in exchange rate (Euro) 	<ul style="list-style-type: none"> • Higher operation cost • A drop in sales in Europe • Forbid the free flow of goods • Foreign exchange risk

(1 mark for the factor, 1 mark for the hindrance on Esther's company)

10 marks

(a) Year-end adjustment/ Period-end adjustment/ End of period adjustment 1 mark

(b) Esther

Statement of financial position as at 31 December 2022

	\$	\$	Marks
Non-current Assets:			
Premises		1,112,000	0.5
Motor vehicles		204,080	0.5
		<u>1,316,080</u>	
Current Assets			
Inventory	32,000		0.5
Trade receivables (bal. fig)	10,000		0.5
Bank	22,000		
	<u>64,000</u>		0.5
Less: Current Liabilities			
Trade payables	28,000		0.5
Net current assets		<u>36,000</u>	
		<u>1,352,080</u>	
Financed by:			
Capital as at 1 January 2022		2,323,000	0.5
Add: Net profit		147,000	
		<u>2,470,000</u>	
Less: Drawings (bal. fig.)		<u>1,117,920</u>	0.5
		<u>1,352,080</u>	0.5
*0.5 format			(5 marks)

- (c)
- Local companies have local connections (Suppliers/Distributors/Potential buyers/Government departments)
 - Local companies know local market well (standards, rules and regulations/taste and preferences of the local customers)
 - Legal requirements imposed by European countries
 - Goodwill of joint venture partners can help attracting customers easier
 - Synergetic effect
 - Economy of scale
 - Share business risk
- (2 marks for each relevant reason + explanation, with a maximum of 4 marks)
(Note: More capital/resources can be contributed by both partners is not allowed.)

10 marks