

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS &

HONG KONG ASSOCIATION FOR BUSINESS EDUCATION

HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION 2023/24

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
D	A	C	D	C	B	D	A	C	C
11	12	13	14	15	16	17	18	19	20
B	B	C	D	D	A	B	C	A	C
21	22	23	24	25	26	27	28	29	30
C	A	D	B	A	B	C	B	D	A

A: 7

B: 7

C: 9

D: 7

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) Age distribution / proportion of young international travellers (1) 2 marks
 Young travellers who are more interested in high-end IT gadgets will increase the profitability / revenue of the company. (1)
- (b) - It is wholly owned by the government. (1) 2 marks
 - It is profit-oriented and runs on commercial principles. (1)
 - Its finance and management are independent of the government. (1)
 - It is a separate legal entity. (1)
 (1 mark for each characteristic, max 2 marks)
- (c) - Share the risk: the risk of loss can be shared by joint venture partners. (2) 2 marks
 - Synergetic effect: As the strengths of each joint venture partner are brought together, a greater positive effect will be generated. (2)
 - More resources: More capital and valuable resources can be pooled. (2)
 (not accept: easier to enter new markets)
 (2 marks for each advantage, max 2 marks)

6 marks

Question 2**Marks**

- (a) It is the main indicator of Hong Kong stock market performance/ reflects the general price level of Hong Kong listed shares. (1) 1 mark
 It facilitates the comparison of performance between Hong Kong and overseas stock markets. (1)
 It can be used as a market standard to evaluate investment returns of individual shares. (1)
 (1 mark for each importance, max 1 mark)
- (b) Rapid increase in market interest rates will greatly increase the finance cost of property developers. (1) 2 marks
 The profit and dividend will drop and lead to the decrease in stock prices. (1)
- (c) Compared with Main Board shares, there is a greater fluctuation in stock price of GEM shares, the risk of investing in GEM shares is higher. (1) 2 marks
 John may suffer a significant loss, which is contradictory to his risk tolerance level / conservative preference. (1)

5 marks

Question 3

Marks

(a)

Jeff

Income Statement for the year ended 31 December 2023

	\$	\$
Sales		580,200 (0.5)
Less: <u>Cost of goods sold</u>		
Opening inventory	9,000	(0.5)
Add: Purchases	<u>277,000</u>	(0.5)
	286,000	
Less: Closing inventory	<u>8,100</u>	<u>277,900</u> (0.5)
Gross Profit		302,300 (0.5)
Add: Interest income	2,350	(0.5)
(94,000*5%*6/12)		
Rental income	<u>5,800</u>	<u>8,150</u> (0.5)
		310,450
Less: <u>Expenses</u>		
Operating expenses (b.f. from T/B)	313,000	(0.5)
Overdraft interest	<u>2,530</u>	<u>315,530</u> (0.5)
Net loss		<u>5,080</u> (0.5)

5 marks

(b) Accrual concept (1)

3 marks

Revenues are recognized when they are earned but not when cash is received. (1)

As the goods had been delivered to customers, sales revenue was earned in the current year and should be recognized as revenue in 2023. (1)

- (c)
- Only quantitative information can be provided. (1)
 - Data are related to past events and lack of timeliness. (1)
 - The financial statements are prepared based on historical cost and neglect time value of money. (1)

1 mark

(1 mark for each limitation, max 1 mark)

9 marks

Part 2

Marks

Question 4

(a)

Deposit to suppliers

2 marks

2023		\$	2023		\$
Mar 6	Cash at bank	16,000	Mar 15	Purchases	16,000

0.5 for both

Purchases

2023		\$
Mar 15	Deposit to suppliers	16,000

Sales

2023		\$
Mar 18	Lisa	9,600
	(12000*80%)	

0.5 for both

Lisa

2023		\$	2023		\$
Mar 18	Sales	9,600	Mar 25	Cash at bank	9,120
				Discount allowed	480

← 0.5 for three

←

Discount allowed

2023		\$	2023		\$
Mar 25	Lisa	480			

←

(b)

Trial Balance as at 31 March 2023

	Dr.	Cr.	
	\$	\$	
Cash at bank (40,000 – 16,000 + 9,120)	33,120		(0.5)
Capital		40,000	
Purchases	16,000		both (0.5)
Sales		9,600	
Discount allowed	480		both (0.5)
	<u>49,600</u>	<u>49,600</u>	

$$GP\% = (\text{Sales} - \text{CGS})/\text{Sales} = [9,600 - (16,000 - 10,240)]/9,600 = 40\% \text{ (1)}$$

3 marks

(c)

Management by Objectives

1 mark

Advantages: (2 marks for each, max 2 marks)	
- Subordinates are more committed to goals (Increase motivation)	Subordinates set the goals with the manager together.
- Subordinates have a better understanding of the goals	
- The individual goals would be in line with the business goal	
- Improve communication between managers and subordinates	Meetings would be held regularly, the manager can provide support to subordinates.
- The progress of work is under better control	
Disadvantages: (2 marks for each, max 2 marks)	
- Time-consuming to hold meetings with different departments regularly	
- Increase manager's burden to give feedback to all heads regularly	

4 marks

10
marks

Question 5

Marks

- (a) (i) $(490,500 + 10,000 + 310,000) / (100,000 + 5,000 + 300,000) = 2.00:1$ (1) 2 marks
 (ii) $(10,000 + 310,000) / (100,000 + 5,000 + 300,000) = 0.79:1$ (1)
- (b) Current ratio is same as the industry average (both 2.00:1) but liquid ratio is much lower than that of industry average (0.79:1 << 1.2:1). (1) 3 marks
 Antony's business does not have enough liquid assets to meet all immediate debts / Too much current assets were tied up in inventory. (1)
 Although the liquid ratio is very low, there is no liquidity problem because the large batch of inventory is temporarily held and supported by a large deposit from the major client. (1)
- (c) Free-rein / laissez-faire leadership (1) 1 mark
- (d) Insufficient guidelines and instructions: The programmers may be confused with how to meet the expected outcome without sufficient guidelines and instructions under free-rein leadership. (1) 2 marks
 Lack of experience/ ability: The programmers may not have enough experience or ability to work independently with minimum supervision from the leader. (1)
 (1 mark for each, max 2 marks)
- (e) Support the operation of other companies: Anthony's business takes up the outsourced IT projects of different companies so that these companies can focus on their core competency. (1) 2 marks
 Providing employment opportunities: Anthony employs young and inexperienced programmers and hence increase employment rate of the whole society. (1)
 (1 mark for each appropriate contribution, with a maximum of 2 marks)

 10 marks
