

FANLING LUTHERAN SECONDARY SCHOOL

2017 - 2018 S6 Mock Examination

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1

Marking Scheme

SECTION A

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

SECTION B (30 marks) Short Questions**Part 1 (20 marks)** Answer **ALL** questions in this part.

1. (a) — His unethical practice will harm the reputation of his business.
 — Customers will lose confidence in his food.
 — the company's sales and prospects will be affected in the long run.
 — The affected customers may file a compensation claim against him.
- (b) — Employees
 — Suppliers
 — Creditors
 — The government
 — The community and society

(6 marks)

2 (a)

Ruby
Statement of Financial Position as at 30 June 2017

	\$	\$
<i>Non-current assets</i>		
Premises		1,000,000
<i>Current assets</i>		
Inventory	128,135	
Trade receivables	66,360	
Cash at bank	13,590	
	208,085	
<i>Less Current liabilities:</i>		
Bank loan	100,000	
Trade payables	29,590	
	129,590	
Net current assets		78,495
		1,078,495
<i>Financed by:</i>		
<i>Capital</i>		
Balance as at 1 July 2016		958,650
Add Net profit for the year (balancing figure)		199,845
		1,158,495
<i>Less Drawings</i>		80,000
		1,078,495

- (b) Quick ratio = $[(\$13,590 + \$66,360) \div (\$100,000 + \$29,590)] : 1$
 = 0.62 : 1

(7 marks)

3. (a) — The stock price of the hotel group will drop.
 — the increase in interest rates means that the hotel group needs to pay more interest.
 — This will increase the group's operating costs and reduce its profits
- (b) The amount that Keith can withdraw a year from now
 = $\$50,000 \times (1 + 4.5\%) \times (1 + 5.5\%)$
 = $\$55,124$
- (7 marks)

Part 2 (10 marks) Answer **ONE** question in this part.

4. (a) (i) Current ratio = $[(\$2,500,550 - \$1,888,390) \div (\$675,800 - \$200,000)] : 1$
 = 1.29 : 1
- (ii) Return on capital employed
 = $\$324,750 \div \{[\$1,500,000 + (\$1,500,000 + \$324,750)] \div 2\} \times 100\%$
 = 19.54%
- (b) job automation
- he can use a digital menu so that customers can directly order food.
 - he can use a self-service ordering machine.
 - he can use robots to deliver dishes to customers.
 - he can introduce an automatic cooking machine to reduce the chefs' workload.
- Encourage customers to participate in the service delivery process.
- he can rearrange the restaurant's facility layout to facilitate self-service operations.
 - he can set up a self-service area (e.g., salad bar)
 - he can set up a counter for pickup delivery. This can reduce the waiters' workload.
- (10 marks)

5. (a) Situation (1):

- Under the historical cost principle, the assets of a firm are to be valued at their original cost of purchase or cost of production.
- Any changes in their market value should be ignored.
- the furniture should still be valued at its purchase cost of \$50,000 instead of its current market value of \$80,000.

Situation (2):

- Under the accrual concept, the expenses are to be recognised when incurred and not when money is paid.
- Mary's salary of \$20,000 for June 2017 should be included in the income statement for the year ended 30 June 2017.

- (b)
- Leo can enjoy limited liability and can thus avoid the loss of his personal assets.
 - A limited company is a separate legal entity. The company's future is not threatened by the illness or death of Leo.
 - As a private limited company, Leo will find it easier to raise capital.
 - Banks are more likely to make loans to limited companies.
 - The business can operate on a larger scale since it has more sources of capital.
 - The separation of ownership and management can improve the company's management and efficiency.

(10 marks)