

FANLING LUTHERAN SECONDARY SCHOOL

2021 - 2022 S6 Mock Examination

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1

Marking Scheme

SECTION A

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

SECTION B (30 marks) Short Questions

Part 1 (20 marks) Answer **ALL** questions in this part.

1. (a) — The hair salon is a partnership.
— A partnership can only raise capital by inviting new partners and it must have more than one owner.
- (b) — Private limited company would be the most suitable.
— A private limited company can keep its financial information undisclosed and it can also raise capital through the issuance of shares.
- (c) — They should issue preference shares.
— Preference shareholders do not have voting rights at the general meeting so Peter and Robert can keep full control of the company.

(6 marks)

2. (A) — The business entity concept can be applied.
— This concept states that a business is treated as an entity separate from its owner(s). The owner's private transactions should not be recorded in the accounting books of the business. Only transactions that affect the business should be recorded in the books of the business.
— The fixed deposit account is held by the owner instead of the firm. Therefore, interest income is the owner's personal income rather than revenue for the firm. When this amount is deposited by the owner into the firm's bank account, it represents additional funds contributed by the owner, and thus should be recorded as an additional capital injection.

(B)

Tommy		
Trial Balance as at 30 April 2021		
	Dr	Cr
	\$	\$
Sales		450,000
Purchases	130,000	
Bank	374,000	
Trade receivables	235,240	
Trade payables		65,750
Inventory, 1 May 2020	25,850	
Capital, 1 May 2020		249,340
	<u>765,090</u>	<u>765,090</u>

(7 marks)

3. (a) — Sandy is not required to join an MPF scheme.
— Because domestic employees are exempt from joining an MPF scheme.
- (b) Candy's contribution to her MPF scheme for this month: $:(\$15,000 + \$4,000) \times 5\% = \$950$
- (c) The rights of employees and self-employed persons :
- Choose MPF funds under the MPF scheme chosen by employers.
 - Make voluntary contributions to the MPF scheme.
 - Withdraw the accrued benefits at age 65.
 - Transfer the employee's portion of mandatory contributions and investment return to any MPF trustee and scheme once every year.
- The responsibilities of employees and self-employed persons:
- Contribute 5% of monthly relevant income to the MPF scheme up to an income level of \$30,000.
 - Bear the investment risk of the MPF funds and the outcome of the investment.
 - Choose MPF funds according to their risk tolerance level.

(7 marks)

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

4. (a) Gross profit = \$113,750 – (\$47,500 – \$5,000) = \$71,250

Net profit = \$71,250 + 800 – \$7,000 = \$65,050

(b)

Mr Chan
Statement of Financial Position as at 31 January 2022

	\$	\$
<i>Non-current assets</i>		
Equipment		30,000
Fixed deposit		22,000
		52,000
<i>Current assets</i>		
Inventory	5,000	
Trade receivables	20,000	
Cash	85,000	
	110,000	
<i>Less Current liabilities: ∴</i>		
Trade payables	13,000	
Bank overdraft	15,000	
	28,000	
Net current assets		82,000
		134,000
<i>Financed by:</i>		
<i>Capital</i>		
Balance as at 1 February 2021 (balancing figure)		128,950
Add Net profit for the year (Workings)		65,050
		194,000
<i>Less Drawings</i>		60,000
		134,000

(c) Main tasks: ∴

- Identify the possible risks to which the company is exposed
- Formulate risk management strategies for the company to manage the risks

(10 marks)

5. (a) (i) $\text{Gross profit ratio} = \$900,000 \div (\$2,000,000 - \$30,000) \times 100\%$
 $= \$900,000 \div \$1,970,000 \times 100\%$
 $= 45.69\%$
- (ii) $\text{Net profit ratio} = \$150,000 \div (\$2,000,000 - \$30,000) \times 100\%$
 $= \$150,000 \div \$1,970,000 \times 100\%$
 $= 7.61\%$
- (iii) $\text{Return on capital employed} = \$150,000 \div [(\$1,000,000 + \$930,000) \div 2] \times 100\%$
 $= \$150,000 \div \$965,000 \times 100\%$
 $= 15.54\%$
- (b) Fung's convenience store :
- It had a higher gross profit ratio but a lower net profit ratio.
 - It was worse at controlling expenses.
 - Return on capital employed was lower. This indicates that Fung's efficiency in utilising net assets to earn a profit was lower.
- (c) Characteristics :
- Measurable: The goal does not specify a quantified amount of increase.
 - Specific: The term sales may refer to sales revenue or sales volume. The goal is not clearly stated.
 - Attainable: The goal may not be achievable because of a downturn in the economy and retail industry.
- (10 marks)