

# **FANLING LUTHERAN SECONDARY SCHOOL**

**2023 - 2024 S6 Mock Examination**

**BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1**

## **Marking Scheme**

### **SECTION A**

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

## SECTION B (30 marks)

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

1. (a) Partnership
- (b)
- They are not an owner of the firm. They do not invest in the business.
  - They do not take part in running the business.
  - They do not share in the profits of the partnership but may be paid a fee by the partnership.
- (c)
- Specialisation: Candy, as a nutritionist, can contribute her specialised knowledge and ability by providing professional advices to the business.
  - Candy's social network may promote the sales(can also strengthen business linkages)
  - Candy's healthy image/icon may promote the sales(can also strengthen business linkages.)
  - This can enhance the business's reputation and increase its profits.
- (4 marks)
2. (a)
- Sufficient capital to survive(Easy to raise capital): it is easier for public enterprises to survive with the support of government (e.g., recycling funds and other financial support from the government)
  - Enhance environmental protection of the general public: It is important for the government to promote sustainable development to the general public.
  - Sufficient capital to survive(Easy to raise capital): it is easier for public enterprises to survive with the support of government (e.g., recycling funds and other financial support from the government)
- (b)
- Providing specialised goods(new products such as eco-bricks): Good Wish Company is small in scale and can specialise in serving small markets, i.e., road maintenance projects using eco-bricks.
  - Providing job opportunities: Good Wish Company offers job opportunities to workers to reduce the number of the unemployed.
  - Recycling glass can extend the landfills' lifespan, delay the massive waste disposal crisis.
  - Good Wish Company can support large companies by providing eco-bricks which help reduce their workload and enhance their efficiency.
- (c)
- Hong Kong government provide cheap land for recycling facilities
  - Hong Kong government mandate the use of concrete paving blocks made with recycled glass in road maintenance projects
  - The HK government may co-ordinate glass collection points
- (8 marks)
- 3.
- There may be a mismatch in cash flows because Rachel needs the money in 2 years but the corporate bond will mature after 3 years.
  - Market risk is the risk from the overall financial market (whole system) which cannot be reduced by investing in the three-year corporate bond.
  - the credibility of the financial consultant, Kelvin, is very low to have such a misconception.
  - Rachel will face the risk of unstable bond prices when she liquidates her bond in the market in two years.
  - Rachel is risk-conscious. She should not choose corporate bonds since their risk is higher than a time deposit.
  - There is no guarantee of payment of principal and interest for a corporate bond. Different firms have different levels of risk (firm-specific risk) so the repayment depends on the financial capability of the firm.
- (4 marks)
4. (a)
- It is not appropriate because it violate the business entity concept
  - A business is considered as a separate entity that is distinguishable from its owner and other entities.
  - Samantha should not include any personal transactions in the business's accounts. Rent for her flat is a personal transaction which should not be included in the company's accounts.
- (b) Fiona is a self-employed person or a partner. thus she needs to enroll herself into an MPF scheme and make mandatory contributions.
- (4 marks)

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

5. (a)

**Wendy**  
**Statement of Financial Position as at 31 December 2023**

	\$	\$	\$
Non-current assets			
Machinery, at cost			276,000
Motor vehicles, at cost			196,000
			472,000
Current assets			
Inventory		37,000	
Trade receivables		15,200	
Cash at bank		27,600	
		79,800	
Less Current liabilities:			
Trade payables	10,100		
Bank overdraft	10,000	20,100	
Working capital			59,700
			531,700
Financed by:			
Capital			
Balance as at 1 January 2023 (Bal. fig.)			422,700
Add Net profit			84,000
			506,700
Less Drawings			15,000
			491,700
Add Non-current liabilities			
Bank loan (repayable in 2028)			40,000
			531,700

- (b) ● Human resources department  
 ● Manpower planning (Human resources planning): They plans for adequate quantity and qualification of the staff that the company's projects require.  
 ● Recruitment and selection: They tries to employ local and non-local experienced workers with reasonable salaries.

- (c) Planning  
 As a month of training is needed for cleaning workers to work independently, Wendy should plan ahead to make sure the company has enough cleaning workers to work on the special project.

(10 marks)

- 6 (a) (i) Net profit ratio =  $(\$84,000 / \$350,000) \times 100\% = 24.00\%$   
 (ii) Current ratio =  $(\$37,000 + \$15,200 + \$27,600) / (\$10,100 + \$10,000) : 1 = \$79,800 / \$20,100 = 3.97 : 1$   
 (iii) Quick ratio =  $(\$15,200 + \$27,600) / (\$10,100 + \$10,000) : 1 = \$42,800 / \$20,100 : 1 = 2.13 : 1$

- (b) ● The liquidity of Wendy's company is good due to its high current ratio and quick ratio.  
 ● It has a sufficient amount of liquid assets to meet its short-term debts.  
 ● Its current assets are of a different variety, i.e., not tied up only in inventory.

- (c) (i) Marketing management  
 (ii) Wendy can apply 4P marketing strategies in her business plan:  
 Price: Wendy should determine the price levels of different cleaning services charged to the target customers.  
 Product: Wendy should choose suitable cleaning services for different customers to suit their needs, e.g., office cleaning, department store cleaning, etc.  
 Place: Wendy should choose appropriate distribution channels for her services.  
 Promotion: Wendy should adopt different campaigns to communicate with her target customers (e.g., Facebook/IG, homepage, free trial, etc.) so that they know about the features and related information that pertain to her cleaning services.

(10 marks)