

PAPER 1
Compulsory Part

SECTION A

Question No.	Key	Question No.	Key
1.	D (88%)	16.	C (78%)
2.	B (83%)	17.	C (42%)
3.	C (52%)	18.	A (62%)
4.	A (21%)	19.	D (59%)
5.	D (74%)	20.	A (81%)
6.	B (45%)	21.	B (84%)
7.	A (88%)	22.	C (47%)
8.	A (55%)	23.	B (69%)
9.	C (71%)	24.	C (72%)
10.	D (78%)	25.	B (52%)
11.	C (66%)	26.	A (73%)
12.	D (62%)	27.	B (77%)
13.	D (75%)	28.	A (33%)
14.	B (83%)	29.	B (72%)
15.	A (42%)	30.	D (85%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

SECTION B**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
- The following constitute the award of presentation mark, where applicable:
 - proper account or statement title
 - indication of \$ (or \$'000) for the relevant amount columns
 - proper headings in the financial statements
 - narrations for journal entries
 - account/statement presented in accordance with specifications in the question

QUESTION 1**Marks**

Limitations:

6

- information is mostly quantitative
 - data relate to past events only
 - different use of accounting methods and policies makes intra-company comparison difficult
 - neglect of time value of money hinders users to do inter-period comparison of the company
- (2 marks for each relevant limitation, max. 6 marks)

Total: 6 marks

QUESTION 2

Ways:

4

- inventory management: ensure a reasonable stock level to avoid wear and tear from over-storage
 - revision of design of the production process: to locate and correct the problem that leads to the defect
 - quality control: set standards to ensure goods provided are of high quality
- (2 marks for each relevant ways, max. 4 marks)

Total: 4 marks

QUESTION 3

(a) Purposes:

2

- risk diversified
- simplified assets management

(2 marks for each relevant purpose, max. 2 marks)

(b) Suggestions:

2

- fixed time deposit
- government bonds
- exchange fund bills

(1 mark for each relevant suggestion, max. 2 marks)

Total: 4 marks

QUESTION 4

Principles and their examples:

4

- courtesy: the tone is rude and offensive (e.g. negative description of staff's educational background)
- concreteness: the purpose is not clearly stated (e.g. suspension on staff's salary)
- completeness: important information has been omitted (e.g. the period for the suspension of salary)

(2 marks for each relevant point, max. 4 marks)

Total: 4 marks

QUESTION 5

Marks

(a)	<u>Statement of financial position as at 31 December 2011</u>		
	\$	\$	
	Non-current assets		
		220 000	½
	Current assets		
	42 000		½
	67 000		½
	<u>109 000</u>		
	Less: Current liabilities		
	(26 300)		½
	<u>(17 600)</u>		½
		65 100	
	Less: Non-current liabilities		
		(38 000)	½
		<u>247 100</u>	
	Financed by		
		231 000	½
		16 100	1
		<u>247 100</u>	
			<i>(Presentation: ½)</i>
			(5)
(b)	Gross Profit ratio:		
	[$\$109\,000 - (\$34\,000 + \$76\,100 - \$42\,000)$] / $\$109\,000 \times 100\%$		1
	= 37.52%		1
			(2)
			<u>Total: 7 marks</u>

QUESTION 6

(a)	- \$38 000	1
	- going concern	1
	- as the business discontinued its operation in the foreseeable future, assets should not be valued at historical cost but current market value	1
		(3)
(b)	Adverse effects to	4
	- lenders: may fail to collect all their money lent to the business	
	- customers: may fail to receive products / services they paid for	
	- suppliers: may fail to collect all the payments for their goods sold or services provided	
	- government: may fail to collect the tax due	
	(2 marks for each relevant point, max. 4 marks)	
		<u>Total: 7 marks</u>

QUESTION 7**Marks**

- (a) Reasons: 4
- share of risk / workload
 - more sources of capital
 - more expertise / innovative ideas
- (2 marks for each relevant reason, max. 4 marks)
- (b) Criteria and its examples: 4
- specific: e.g. earn a definite amount of profit
 - time-based: e.g. earn a certain amount of profit in the first year of operations
 - measurable: e.g. achieve a 10% increase in profit
 - challenging but attainable: e.g. earn a reasonable amount of profit
- (2 marks for each relevant point, max. 4 marks)

Total: 8 marks**END OF PAPER 1**

PAPER 2A
Accounting Module
Elective Part

General Principles of Marking

1. The answers given in this marking scheme are 'suggestions' only. Other relevant answers will also be accepted.
2. In questions asking for a specified number of reasons or examples etc. and a student gives more than the required number, the extra answers should not be marked. For instance, in a question asking students to provide two examples, and if a student gives three answers, only the first two should be marked.
3. The general guidelines for points which are awarded 0 to 2 marks each are as follows:

0 mark	:	irrelevant or ambiguous answers
1 mark	:	relevant phrases containing key words that answer the question
2 marks	:	a relevant point or answer with a brief explanation of the concept/key words stated

4. The following constitute the award of presentation mark, where applicable:
 - proper account or statement title
 - indication of \$ (or \$'000) for the relevant amount columns
 - proper headings in the financial statements
 - narrations for journal entries
 - account/statement presented in accordance with specifications in the question

SECTION A**QUESTION 1****Marks**

(a)		Sales Ledger Control					
2011		\$	2011	\$			
½	Jan 1	Balance b/d	33 500	Dec 31	Returns inwards	3 200	½
½	Dec 31	Sales	742 070		Bank	602 120	½
½		Bank - dishonoured cheques	12 420		Discounts allowed	3 500	½
					Bad debts	650	½
					Set-off	1 000	½
					Balance c/d	177 520	1
			787 990			787 990	(5)

- (b) Reasons: (max) 2
- identify omission of transactions and errors in subsidiary accounts
 - detect, avoid and prevent fraud and misstatement
- (2 marks for each relevant reason)

Total: 7 marks

QUESTION 2

Marks

(a) (1)	<u>Depreciation expenses of machinery for the year ended 31 December 2011:</u>		\$	
	Depreciation on old machinery	(\$3 600 000 – \$3 455 000)	145 000	1
	Depreciation on new machinery	(\$2 400 000 + \$60 000) × 25% × 10/12	<u>512 500</u>	1½
	Total depreciation expenses of machinery		<u>657 500</u>	½
				(3)
(2)	<u>Accumulated depreciation - Lorries</u>			
	2011	\$	2011	\$
½	Dec 31 Balance c/d	1 702 800	Jan 1 Balance b/d	1 200 000
			Dec 31 Profit and Loss (w1)	<u>502 800</u>
		<u>1 702 800</u>		<u>1 702 800</u>
				(3)
			\$	
(w1)	Depreciation on existing lorries [(\$1 850 000 – \$1 200 000) × 20%]		130 000	
	Depreciation on new lorries (\$1 900 000 – \$36 000) × 20%		<u>372 800</u>	
	Total depreciation expenses of lorries		<u>502 800</u>	
(b)	It does not violate the consistency concept			1
	Reasons:			(max) 1
	– consumption pattern is different for different types of non-current assets			
	– the company is consistently applying the same depreciation method for the same type of non-current assets;			
	(1 mark for each relevant reason)			(2)
			<u>Total: 8 marks</u>	

QUESTION 3

(a)	It refers to a set of processes, customs, policies and laws affecting the way a corporation is directed, administered or controlled.	2
(b)	Ways:	(max) 4
	– hard evidence has to be provided to support any changes in accounting estimates	
	– appoint individual who does not have a close relationship with the management as the director	
	– ensure an appropriate mix of dependent and independent directors	
	(2 marks for each relevant way)	
		<u>Total: 6 marks</u>

QUESTION 4

Marks

(a) <u>Budgeted total value of closing inventories:</u>			
Direct material cost	\$		
Transportation cost on direct materials	40.0	½	
Direct labour cost (\$60.5 × 2)	2.0	½	
Variable production overheads (\$1 203 000 – \$1 159 000) / (\$66 000 – \$58 000)	121.0	1	
Total variable cost per unit	5.5	1	
Unit of closing inventories (5000 – 4400)	168.5		
	× 600	1	
	<u>101 100</u>		
			(4)
(b) <u>Budgeted total amount of contribution:</u>	\$		
Selling price per unit	300.0	½	
Less: Total variable cost per unit	168.5	½	
Sales commissions	8.0	1	
Contribution per unit	123.5		
Number of unit sold	× 4 400		
	<u>543 400</u>	1	
			(3)
(c) <u>Budgeted total amount of net profit:</u>	\$		
Total contribution	543 400		
Less: Distribution expenses	50 000	½	
Fixed production overheads (\$840 000 ÷ 12)	70 000	1	
	<u>423 400</u>	½	
			(2)
	<u>Total: 9 marks</u>		

SECTION B

QUESTION 5

Marks

(a) Cash at bank

2011		\$	2011		\$	
1	Dec 31	Trade receivables – credit transfer (ii)	46 250	Dec 31	Balance b/d	9 530 ½
½		Balance c/d	49 895		Chloe Ltd: Returned cheque	72 530 1
					Connie Fashion Co (\$25 300 – \$23 500) (i)	1 800 1
					Carmen Co – Post-dated cheque (i)	7 235 1
					Management fees	5 025 1
					Bank charges	25 1
			<u>96 145</u>			<u>96 145</u>

(7)

(b) Bank reconciliation statement as at 31 December 2011

	\$	\$	
Balance as per adjusted cash book		(49 895)	½
Add: <u>Unpresented cheques</u>			
– 532009 (\$10 500 – \$10 000 – \$300) (iv)	200		1½
– 532020	31 600		½
– 532022	<u>68 760</u>	100 560	½
		<u>50 665</u>	
Less: Uncredited deposit – Cherry Ltd	8 005		1
Bank error – incorrect debit (iii)	<u>105 660</u>	113 665	1
Balance as per bank statement		<u>(63 000)</u>	

(5)

- (c) Reasons: (max) 2
- insufficient cash in drawer’s account
 - post-dated cheque
 - wrong drawee’s name/drawers signature
- (1 mark for each relevant reason)

14 marks
Presentation : 1 mark
<u>Total: 15 marks</u>

QUESTION 6

Marks

- (a) – Direct costs are those costs that can be specifically identified / traced with a particular cost object (e.g. direct materials) 1+1
 – Indirect costs cannot be identified / traced specifically with a given cost object (e.g. rent and rates) 1+1
 (4)

(b)

(1) Statement to calculate the total fixed production overheads of Department A and Department B

	Basis	Dept A \$	Dept B \$	Maintenance \$	Product design \$	
Departmental production overheads	Direct allocation	96 000	32 000	14 000	6 000	½
Air-conditioning and lighting	Floor area	336 000	528 000	120 000	72 000	½
Insurance for machinery	Machine cost	120 000	50 000	30 000	80 000	½
Rent and rates	Floor area	980 000	1 540 000	350 000	210 000	½
Salaries of supervisors	No. of supervisors	240 000	160 000	32 000	48 000	½
Machinery depreciation	Machine cost	216 000	90 000	54 000	144 000	½
		<u>1 988 000</u>	<u>2 400 000</u>	<u>600 000</u>	<u>560 000</u>	
Service costs from Maintenance (20%, 80%)		120 000	480 000	(600 000)		1½
Service costs from Product design (70%, 30%)		392 000	168 000		(560 000)	1½
Total production overheads		<u>2 500 000</u>	<u>3 048 000</u>	<u>0</u>	<u>0</u>	1
Number of direct labour hours		<u>200 000</u>				(7)
Number of machine hours			<u>600 000</u>			

(2) Overhead absorption rate

12.50 per direct labour hour 5.08 per machine hour

2

(c) Statement to calculate the budgeted unit production cost

	MPI \$/ unit	MP2 \$/ unit	
Direct material costs	210.00	250.00	½
Direct labour costs (\$28 × 2.5; \$40 × 3)	70.00	120.00	½
Fixed production overheads (A) (\$12.5 × 2.5)	31.25	---	½
Fixed production overheads (B) (\$5.08 × 15)	---	76.20	½
Unit production cost	<u>311.25</u>	<u>446.20</u>	1

(3)

(d) The per unit selling price of MP1 = \$311.25 × 1.25
 = \$389.0625
 = \$389

1

1

(2)

Total: 18 marks

QUESTION 7

Marks

(a) (1)

		Realisation		
2012		\$	2012	\$
½	Jan 1 Plant and machinery	129 000	Jan 1 Loan from Andy	60 000
½	Office equipment	134 500	Loan from Bob	36 100
½	Inventory	92 000	Capital – Carol	11 500
½	Trade receivables	40 500	Bank	285 700
½	Bank – realisation expenses	4 920	Trade payables - Discounts	720
			<i>Loss on realisation</i>	
			Capital – Andy (2/10)	1 380
			Capital – Bob (3/10)	2 070
			Capital – Carol (5/10)	3 450
		<u>400 920</u>		<u>6 900</u>
				<u>400 920</u>

(7)

(2)

		Bank	
2012		\$	2012
Jan 1	Balance b/d	2 200	Jan 1 Realisation expenses
½	Realisation	285 700	Loan from Bob (\$50 000 – \$36 100)
½	Capital – Carol	9 250	Trade payables (\$50 200 – \$720)
			Accrued expenses
			Capital – Andy
			– Bob
		<u>297 150</u>	
			<u>4 920</u>
			<u>13 900</u>
			<u>49 480</u>
			<u>11 500</u>
			<u>190 920</u>
			<u>26 430</u>
			<u>297 150</u>

(5)

(3)

		Capital						
2012		Andy	Bob	Carol	2012	Andy	Bob	Carol
		\$	\$	\$		\$	\$	\$
½	Current account			6 300	Balance b/d	178 000	22 000	12 000
½	Realisation	1 380	2 070	3 450	Current account	14 300	6 500	
½	Realisation			11 500	Bank			9 250
1	Bank	190 920	26 430					
		<u>192 300</u>	<u>28 500</u>	<u>21 250</u>		<u>192 300</u>	<u>28 500</u>	<u>21 250</u>

(4)

- (b) Advantages: (max) 2
- will not affect the initial investment made by the partners as transactions between partners and the partnership during the year can be shown through the current accounts instead of the capital accounts
 - debit balance of the current account due to a partner's excessive drawings could be used as a signal or warning to other partners
- (2 marks for each relevant advantage)

Total: 18 marks

SECTION C

QUESTION 8

Marks

(a) (1)		\$	
	Fixed production overheads (\$1 000 000 × 80%)	800 000	½
	Fixed selling expenses (\$900 000 × 2/3)	600 000	½
	Fixed administrative expenses	528 500	½
		1 928 500	½
			(2)
(2)		\$	
	Direct materials	480 000	} ½
	Direct labour	320 000	
	Variable production overheads (\$1 000 000 × 20%)	200 000	½
	Sales commission (\$900 000 × 1/3)	300 000	½
		1 300 000	½
			(2)

(b) <u>Alternative A</u>		\$	
	Contribution per units:		
	Selling price	49.5	
	Direct materials	(6)	
	Direct labour	(4)	
	Variable production overheads	(2.5)	
	Sales commission	(3.75)	
		33.25	
			1

Additional sales commission: $\$49.5 \times 10\% = \4.95 ½

$$\therefore \text{Breakeven point (in units)} = \frac{\$1\,928\,500 + \$52\,500}{\$33.25 - \$4.95}$$

$$= \underline{70\,000 \text{ units}} \quad \text{½}$$

Alternative B

Existing contribution: $\$33.25 \times 48\,000 = \$1\,596\,000$

Required contribution: $(\$1\,928\,500 - \$1\,596\,000) + (\$25\,000 \times 12) = \$332\,500 + \$300\,000 = \$632\,500$ 1

Contribution per unit sold overseas: $(\$37.5 - \$6 - \$4 - \$2.5) = \$25$ 1

Additional units to breakeven: $\$632\,500 / \$25 = 25\,300 \text{ units}$ ½

$$\therefore \text{Breakeven point (in units)} = 48\,000 + 25\,300$$

$$= \underline{73\,300 \text{ units}} \quad \text{½}$$

(5)

(c) <u>Alternative A</u>		\$	
	Contribution per unit	33.25	
	Additional sales commission	(4.95)	
		28.3	
	Expected sales units	× 76 000	½
		2 150 800	
	Total fixed cost	(1 928 500)	½
	Increase in advertising expenses	(52 500)	½
		169 800	½

<u>Alternative B</u>		\$	
	Existing contribution ($\$33.25 \times 48\,000$)	1 596 000	½
	Contribution from selling overseas ($\$25 \times 32\,000$)	800 000	1
		2 396 000	
	Total fixed cost	(1 928 500)	½
	Cost of producing catalogue	(300 000)	½
		167 500	½

As profit is higher under alternative A, alternative A should be recommended. 1

(6)

QUESTION 8 (Cont'd)

Marks

(d) Financial factors:

(max) 2

- risk in collecting debt from overseas
 - unavoidable / avoidable cost elements in calculating profits
- (2 marks for each relevant financial factor)

(e)

	\$	
Cost of hire the equipment	125 000	½
Total direct labour cost saved ($\$4 \times 40\% \times 76\ 000$)	<u>121 600</u>	1
Extra cost	<u>3 400</u>	½

Therefore, Lucky Company should not hire the equipment.

1
(3)

Total: 20 marks

QUESTION 9

Marks

(a) (1)		Journal		
2011		Dr.	Cr.	
December 31		\$	\$	
(i)	Retained profit (\$716 400 × 5%)	35 820		½
	Allowance for doubtful debts		35 820	½
(ii)	Cash at bank (600 000 × \$6)	3 600 000		½
	Ordinary share capital (600 000 × \$2)		1 200 000	½
	Share premium (600 000 × \$4)		2 400 000	½
(iii)	Cash at bank	900 000		½
	2% Debentures		900 000	½
	Trade payables (\$225 000 / 96%)	234 375		½
	Cash at bank (\$900 000 / 4)		225 000	½
	Retained profit		9 375	½
	Retained profit (\$900 000 × 2% × 1/12)	1 500		½
	Interest payable		1 500	½
(iv)	Accumulated depreciation	726 000		½
	Retained profits	9 000		½
	Property, plant and equipment		726 000	½
	Cash at bank (\$165 000 – \$156 000)		9 000	½
(v)	Retained profits	135 000		½
	General reserve		135 000	½
(vi)	Retained profits	424 800		½
	Prepayment		424 800	½

(10)

QUESTION 9 (Cont'd)

Marks

(a) (2)

Dragon Ltd

Statement of financial position as at 31 December 2011

	\$	
ASSETS		
<u>Non-current Assets</u>		
Property, plant and equipment, net (\$4 800 000 – \$726 000) – (\$1 240 000 – \$726 000)	3 560 000	1
<u>Current Assets</u>		
Inventory	545 000	
Trade receivables, net (\$716 400 – \$35 820)	680 580	½
Cash at bank (\$760 800 + \$900 000 + \$3 600 000 – \$225 000 – \$9000)	5 026 800	1
	6 252 380	
Total assets	9 812 380	
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the company</u>		
Ordinary shares of \$2 each (\$4 000 000 + \$1 200 000)	5 200 000	½
Share premium (\$319 000 + \$2 400 000)	2 719 000	½
General reserve	135 000	½
Retained profits (\$996 500 – \$35 820 + \$9375 – \$1500 – \$9000 – \$135 000 – \$424 800)	399 755	1½
	8 453 755	
<u>Non-current Liabilities</u>		
2% Debentures	900 000	½
<u>Current Liabilities</u>		
Trade payables (\$691 500 – \$234 375)	457 125	½
Interest payable	1 500	½
	458 625	
Total equity and liabilities	9 812 380	(7)

- (b)
- should not be treated as prepayment 1
 - should be charged to income statement as expense 1
 - uncertain revenue recognition: increase in sales volume is just an estimate 1
- (3)

Total: 20 marks

END OF PAPER 2A

General Principles of Marking

1. The answers given in this marking scheme are ‘suggestions’ only. Other relevant answers will also be accepted.
2. 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’.
3. Essay questions require a discussion of the different aspects involved and a maximum mark is set for each point given in the marking scheme.
4. The general guidelines for points which are awarded 0 to 4 marks each are as follows:
 - 0 mark : irrelevant or ambiguous answers
 - 1 mark : relevant phrases containing key words that answer the question
 - 2 marks : a relevant point or answer with a brief explanation of the concept/key words stated
 - 3 to 4 marks : a relevant point or answer elaborated with illustration of how it is related to the given scenario

SECTION A

QUESTION 1	Marks
Indirect compensation:	2
- benefits other than normal wages and salaries	
Purposes:	4
- enhance employees’ senses of belongings	
- retain employees	
- attract high calibre employees	
(2 marks for each relevant purpose, max. 4 marks)	
QUESTION 2	
Essential elements:	6
- offer: the buyer offers to buy a product under certain terms	
- acceptance: the seller accepts the offer	
- consideration: the buyer receives the product and the seller receives the agreed terms	
(2 marks for each relevant element, max. 6 marks)	

QUESTION 3

Ways:

- improve communication: create a platform for discussion
 - enhance efficiency: minimise the cost of negotiation between the management and individual employees
 - facilitate discussion and mutual understanding: balance the power between employer and employees
 - more systematic: provide a formal channel in resolving disputes
- (2 marks for each relevant way, max. 6 marks)

QUESTION 4

Budgeting is useful in:

- planning: forecast figures provide directions for formulating action plan
 - organising: budget information assists resources allocation, cooperation and integration across various functional departments
 - leading: quantified indicators become specific targets for employees
 - controlling: budget figures serve as performance standards
- (2 marks for each relevant uses, max. 6 marks)

QUESTION 5

Benefits:

- cost-saving: reduce rent and labour cost
 - wide coverage: easier access by customers from all over the world
 - convenience to customers: facilitate sales
 - extended service hours: enable round-the-clock service
- (2 marks for each relevant benefit, max. 6 marks)

SECTION B

QUESTION 6

(a) (i) At the EOQ, the total inventory cost (i.e. ordering cost and carrying cost) is minimal among all possible quantities.

= 200 dozens

(b) Ways:

- buy and deposit Euro
- buy forward contracts on Euro
- buy call options of Euro
- buy futures on Euro

(2 marks for each relevant way, max. 4 marks)

(c) Marketing concept:

- A business should analyse the needs of its customers and take appropriate measures to satisfy those needs in order to make profit.
- Platine should investigate the taste and preferences of its customers and offer the menu items that meet their needs.

(d) Steps:

- stimulus: e.g. read an advertisement in a food magazine
- need/problem awareness: e.g. feel hungry
- information search: e.g. obtain information from personal sources (e.g. family or friends) or commercial sources (e.g. advertisements on magazine or website) development of alternatives: e.g. choose several restaurants
- evaluation of alternatives: e.g. compare Platine with other restaurants

(2 marks for each relevant step, max. 6 marks)

(e) Ways:

- price: e.g. competition-based pricing / price differentiation
- promotion: e.g. advertisement / waiter's recommendations
- place: e.g. take away service / longer service hours

(2 marks for each relevant way, max. 6 marks)

QUESTION 7

(a) Adverse consequences:

- higher absenteeism / labour turnover lower job satisfaction
- poor performance due to lack of motivation

(2 marks for each relevant consequence, max. 4 marks)

(b) Ways:

- give sense of recognition and achievement to employees
- empowerment and allow job autonomy
- offer more development opportunities
- adjust job content to make it more interesting and challenging

(2 marks for each relevant way, max. 6 marks)

(c) Reasons:

- difficult to measure the probability of financial loss
- the loss is not accidental
- law of large number is not easily applied
- the risk is speculative

(2 marks for each relevant reason, max. 6 marks)

(d) Ways:

- collection policy: expedite debt collection procedures
- credit term: adjust the discount terms to encourage early repayment
- credit standard: set stringent credit standards and credit limits to wipe out those travel agencies with poor repayment records

(2 marks for each relevant way, max. 4 marks)

Sources of fund:	Reasons
Issue of shares	no interest burden or collateral requirement avoid increasing the gearing / leverage ratios no repayment required
Issue of debenture	no dilution of control and shareholdings enjoy tax saving on interest expense benefit from leverage effect
Long-term bank borrowings	no issuing cost enjoy tax saving on interest expense benefit from leverage effect
Liquidation on fixed assets	no issuing cost no interest or dividend burden - fully utilise the financial resources

(1 mark for each source and 1 mark for each relevant justification, max 6 marks)

SECTION C

QUESTION 8

(a) Steps:

- identify training needs: e.g. unawareness of front-line staff on regulations of investment products
- formulate training objectives and plan: e.g. update front-line staff on the latest regulations of investment products
- design training programme(s): e.g. in forms of workshops, on-line training kit
- implement the training programme: e.g. require front-line staff to attend the training within a specific period of time
- evaluate the effectiveness of the training programme: e.g. written test for front-line staff on the regulations of investment products

(2 marks for each relevant step, max. 10 marks)

(b) NPV formula and relevant examples:

- initial outlay: cost of purchase of the computer training system
- cash flows: cash inflows may include cost saved from hiring of trainer whereas cash outflows may include maintenance cost of the system
- discount rate: cost of capital, interest rate on loans or required rate of return
- project life: year of usage of the computer training system
- net present value: discounted monetary value of the computer training system, i.e. positive value means worth buying, negative value means not worth buying

(1 mark for each relevant variable and 2 marks for each relevant example, max. 10 marks)

QUESTION 9

(a) Bases for market segmentation:

- geographic segmentation: countries, cities or neighbourhood, e.g. target those guests from the Mainland
- demographic segmentation: age, sex, income, occupation, family life cycle and educational level, e.g. a 5-star hotel targets those guests with higher income
- psychographic segmentation: social class, life style and personality characteristics, e.g. target those guests from the upper class
- benefit segmentation: product benefits that customers seek, e.g. target those guests who seek for a convenient location

(2 marks for each relevant base, max. 8 marks)

(b) CRM is a process that involves the use of customers' information to build and maintain customer relationships in an organised way.

Reasons:

- more knowledge about customers thus better services can be provided
- lower cost to serve existing customers
- easier to retain customers than to acquire new customers
- increase cross-selling opportunity

(3 marks for each relevant reason, max. 10 marks)

END OF PAPER 2B