

SECTION A (60 marks)

1. A convenience store chain is looking for a shop supervisor for one of its stores. Which of the following will not be a task for the new supervisor?
 - A. monitor the daily operations of the shop
 - B. coach shop assistants
 - C. handle disputes between staff and customers
 - D. decide on the development strategies for the chain

2. In an income statement, _____ should be deducted from sales, while _____ should be added to the cost of goods sold.
 - A. returns inwards; closing inventory
 - B. returns inwards; carriage inwards
 - C. returns outwards; opening inventory
 - D. returns outwards; carriage outwards

3. Which of the following accounts must be in debit balances on a trial balance?
 - (1) short term loans
 - (2) inventories
 - (3) bank
 - (4) premises
 - A. (1) and (3) only
 - B. (1) and (4) only
 - C. (2) and (4) only
 - D. (2), (3) and (4) only

4. The ownership of Small and Medium Enterprises (SMEs) can take different forms. SMEs
 - (1) cover market segments which are not served by large companies.
 - (2) provide more employment opportunities to local workers than large companies.
 - (3) enjoy a lower tax rate than large companies.
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

5. Which of the following types of employee is exempted from joining the Mandatory Provident Fund Scheme?
 - A. construction workers
 - B. security guards
 - C. catering workers
 - D. domestic employees

6. Which of the following is not within the process of controlling in a sales department of a business?
 - A. set sales targets
 - B. assign salespersons to different sales teams
 - C. record sales of each salesperson
 - D. adjust sales targets

Based on the following information, answer Questions 7 to 8:

Smart International is a company which specialises in analysing the opportunities in overseas markets and publishes related reports monthly. Businesses in Hong Kong can buy these reports, each with more than two hundred pages, at \$500 per copy. After one year, each copy is uploaded to the Internet to allow for free public access. Ronnie, the owner of a small toy manufacturer in Hong Kong, wants to explore the market potential overseas and buys these reports.

7. Why is Ronnie willing to buy these reports?
- (1) Timely information enables Ronnie to make appropriate business decisions.
 - (2) The cost of buying these reports is lower than searching for information by Ronnie.
 - (3) Each of these reports has more than two hundred pages.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
8. Ronnie wants to participate in a trade fair overseas to promote her business. Which of the following can provide a subsidy for her participation?
- A. SME Export Marketing Fund
B. SME Loan Guarantee Scheme
C. SME Development Fund
D. Small Entrepreneur Research Assistance Programme
9. On the first day of 2012, Johnny deposited \$6000 into a fixed-interest bank account. Suppose the interest rate on the deposit is 4% per annum compounded annually, find out (to the nearest dollar) the total amount Johnny could withdraw at the end of 2014.
- A. \$6480
B. \$6720
C. \$6749
D. \$7019
10. Which of the following are the impacts of globalisation on the business sector?
- (1) increased international trade
 - (2) reduced production cost of goods
 - (3) intensified global competition
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
11. Which of the following is not a purpose of the Closer Economic Partnership Arrangement (CEPA)?
- A. reduce barriers on the trade of goods between Hong Kong and the Mainland
B. promote free trade in services between Hong Kong and the Mainland
C. ensure free flow of information between Hong Kong and the Mainland
D. facilitate cross-border business investment between Hong Kong and the Mainland
12. Which of the following statements is correct?
- A. All partners in a limited partnership enjoy limited liability.
B. All shareholders of a limited company have voting rights in the board of directors' meeting.
C. A limited company needs to disclose its financial statements to the public.
D. A public corporation is owned by the government.

13. Which of the following is not a benefit of good corporate governance?
- A. reduce conflicts between stakeholders
 - B. improve image and reputation of firms
 - C. enhance investor confidence
 - D. ensure fair competition with other firms
14. Arrange the following tasks in the accounting cycle in sequence.
- (1) prepare a trial balance
 - (2) prepare financial statements
 - (3) record transactions in day books
 - (4) post entries to the ledger accounts
- A. (3) → (4) → (2) → (1)
 - B. (3) → (4) → (1) → (2)
 - C. (4) → (3) → (2) → (1)
 - D. (4) → (3) → (1) → (2)
15. A human resources manager is responsible for
- (1) designing a performance appraisal system.
 - (2) developing the skills and talents of staff.
 - (3) arranging workflow.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
16. Which of the following transactions will affect the total amount of liability of a business?
- A. assets introduced by the owner into the business
 - B. goods sold to customers on credit
 - C. machinery bought with its price settled two months later
 - D. sales proceeds deposited into the business's bank account
17. On 1 January 2012, Mr Tong set up a firm and brought in motor vehicles of \$2000, premises of \$14 000 and inventory of \$5000 to the business. The firm borrowed \$3000 from the bank to acquire a piece of equipment. Meanwhile, Mr Tong put \$1000 into the firm's cash box and \$8000 into the firm's bank account.
- What was the amount of Mr Tong's capital on 1 January 2012?
- A. \$9 000
 - B. \$27 000
 - C. \$30 000
 - D. \$33 000
18. If a limited company wants to go public through the issuing of new shares, which of the following markets should it go to?
- A. primary market
 - B. listed exchange
 - C. secondary market
 - D. over-the-counter market

19. Which of the following are benefits of applying Management by Objectives in a business?
- (1) improved communication between management and staff
 - (2) better staff morale
 - (3) enhanced monitoring of staff performance
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
20. Which of the following are functions of accounting?
- (1) evaluate business performance
 - (2) facilitate business planning
 - (3) enhance business competitiveness
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
21. Which of the following client information is the least relevant factor for a bank to reject a client's application for a credit card?
- A. record of repayment
 - B. degree of loyalty to the bank
 - C. level of outstanding debts
 - D. record of bankruptcy
22. On 31 December 2011, the amount of total current liabilities of a company is \$120 000 and its current ratio is 3:1. What was the amount of working capital of the company on the same date?
- A. \$40 000
 - B. \$80 000
 - C. \$240 000
 - D. \$360 000
23. Which of the following are differences between a small firm and a large enterprise?
- | | <u>Small firm</u> | <u>Large enterprise</u> |
|--------------------------|-------------------|-------------------------|
| (1) Decision making | flexible | inflexible |
| (2) Scope of business | diversified | specialised |
| (3) Managerial hierarchy | fewer levels | more levels |
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
24. Which of the following is the main function of the Hong Kong Monetary Authority?
- A. regulate securities and futures markets
 - B. operate securities and derivatives marketplace
 - C. maintain monetary and banking stability
 - D. determine the bank deposit interest rate

25. Which of the following are uses of a company's financial statements to the respective users?

	<u>Users</u>	<u>Uses</u>
(1)	Managers	help to reallocate the resources of the firm
(2)	Debtors	help to assess the repayment ability of the firm
(3)	Potential investors	help to decide whether the firm is worth investing in
A.	(1) and (2) only	
B.	(1) and (3) only	
C.	(2) and (3) only	
D.	(1), (2) and (3)	

26. The effective rate of return on a time deposit is raised if

- A. the frequency of compounding is higher.
- B. the principal is larger.
- C. the period of deposit is shorter.
- D. the cost of capital is lower.

27. Which of the following accounting principles and conventions has been violated if the owner of a restaurant charges the unpaid bills for meals with his family sometimes to the company's expense accounts but sometimes to his personal expense accounts?

- A. Accrual
- B. Business entity
- C. Consistency
- D. Going concern

28. Which of the following statements is not correct?

- A. The amount of total purchases should be posted to the purchases ledger.
- B. The petty cash book is one of the books of original entry.
- C. Only credit sales are recorded in the sales journal.
- D. Purchase of non-current assets on credit should be recorded in the general journal.

29. Which of the following are the characteristics of a successful entrepreneur?

- (1) willing to accept challenges
- (2) follow routine practices closely
- (3) strong desire to achieve
- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

30. In a typical communication process, an idea is _____ by the sender to become a message. Through suitable _____, the message is transmitted and then _____ by the receiver.

- A. decoded.....feedbacks.....encoded
- B. encoded.....feedbacks.....decoded
- C. decoded.....channels.....encoded
- D. encoded.....channels.....decoded

End of Section A

SECTION B (40 marks)

1. Explain three limitations on the use of financial statements. (6 marks)

2. Mr Ho is a toy manufacturer. Recently, he has received a number of complaints from his customers about paint peeling off from his toys. A management consultant tells Mr Ho that having good operations management can reduce the number of defective items.

In what ways could operations management help Mr Ho to reduce the number of defective items? Give two ways. (4 marks)

3. Mr Au is an inexperienced investor and the majority of his investments are in the shares of a single company. His son suggests that he should switch part of his investments to a mutual fund or other less risky financial instruments with stable returns.

(a) Briefly explain one purpose that Mr Au could achieve through investing in a mutual fund. (2 marks)

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(b) List two less risky financial instruments with stable returns for Mr Au. (2 marks)

4. After discussion, the board of directors of a company resolves to freeze the salaries of its staff for one year starting from 1 July 2012. Mr Kan, the Human Resources Manager, was assigned to deliver the message to the staff of the company. He drafted the following email:

From: Kan
To: All Staff
Subject: Salary

Dear all,

As you all know, the global economy is deteriorating and many people around the world have lost their jobs. You, especially those with poor qualifications and poor working attitudes, should be glad that you haven't been fired by the company. As the company is already being kind in not laying you off, please don't talk about the salary issue in the future as this has been discussed and finalised.

Kan

List two principles of effective communication and give an example of each from the above email to explain why the message is not effectively communicated in this case. (4 marks)

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5. The following account information relates to Yip's business for the year ended 31 December 2011:

	\$
Office equipment	220 000
Trade receivables	67 000
Opening inventory	34 000
Closing inventory	42 000
Bank overdraft	17 600
Trade payables	26 300
Loan from Sam's Company (repayable in 2020)	38 000
Opening capital	231 000
Sales	109 000
Purchases	76 100
Rent and rates	12 000
Salaries	9 000
Other operating expenses	7 900
Discounts received	4 100

(a) Prepare the statement of financial position for Yip's business as at 31 December 2011. (5 marks)

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7. Mary is an experienced designer who has a wide customer network. She is considering setting up a small interior design firm on her own. At the same time, another designer, Paul, invites her to form a partnership.

(a) Give two reasons why Mary should accept Paul's invitation instead of setting up a firm on her own. (4 marks)

(b) Mary finally sets up the interior design firm on her own. List two criteria for setting good business goals for her. Explain each with an example. (4 marks)

END OF PAPER

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