

# DSE BAFS 2014

## Marking Schemes

This document was prepared for markers' reference. It should not be regarded as a set of model answers. Candidates and teachers who were not involved in the marking process are advised to interpret its content with care.

### PAPER 1 Compulsory Part

#### SECTION A

Question No.	Key	Question No.	Key
1.	A (83%)	16.	C (52%)
2.	B (56%)	17.	B (74%)
3.	C (91%)	18.	B (74%)
4.	C (41%)	19.	A (75%)
5.	B (82%)	20.	D (80%)
6.	C (44%)	21.	C (90%)
7.	D (78%)	22.	A (75%)
8.	A (57%)	23.	A (64%)
9.	A (76%)	24.	D (72%)
10.	B (80%)	25.	B (73%)
11.	D (62%)	26.	C (60%)
12.	C (57%)	27.	D (78%)
13.	D (58%)	28.	A (52%)
14.	C (85%)	29.	D (68%)
15.	A (71%)	30.	B (54%)

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 and those brought up in light of live scripts and discussions at the Markers' Meeting are 'suggestions' only. There are answers that are not mentioned but nevertheless are equally valid.
- Where the number of points required is specified in a question, the first listed points will be marked up to the number required, and other points crossed out as 'excess'.
- The guidelines for points of 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 answer with a brief explanation of the concept/key words stated

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**PART 1**

**QUESTION 1**

**Marks**

(a) Nominal partner: Patrick

1

(b) Contributions:

Max. 4

- provide professional advice
- enhance reputation of the business
- strengthen business linkages

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

5 marks

**QUESTION 2**

**Marks**

(a) Conceptual skill

1

- A general manager should possess the ability to think creatively and to analyse and understand complicated and abstract ideas in order to perform management functions such as planning and organising

2

(b) Functions:

Max. 2

- identify and/or create market opportunities
- determine market position
- select target market
- formulate and evaluate marketing strategies (4Ps)
- implement and monitor marketing activities
- manage customer relationship

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

5 marks

**QUESTION 3**

**Marks**

(a) Books of original entry:

(i) Sales Day Book / Sales Journal

1

(ii) Return Outwards Day Book / Return Outwards Journal

1

(iii) Cash Book

1

(b) (i) Real account:

Max. 1

- Cash at bank, trade receivables, trade payables
- (1 mark for each relevant example, max. 1 mark)

(ii) Nominal account:

Max. 1

- sales, return outwards, office salaries
- (1 mark for each relevant example, max. 1 mark)

5 marks

**QUESTION 4**

**Marks**

- (a) Present value =  $(\$3\,000\,000 \times 30\%) / (1.02)^3 = \underline{\underline{\$848\,090}}$  2
- (b) Government bonds 1  
 Lower investment risk with higher certainty of achieving the required amount: 1  
 – Tom will receive fixed income during the 3 years to achieve the target return Max. 1  
 – Tom will get back the principal if he buys a bond that will mature in 3 years  
 – dividends of ordinary shares are not obligatory and may vary between years and hence the target return cannot be guaranteed  
 – share prices fluctuate and Tom may incur capital loss when the shares are sold three years later  
 (1 mark for any relevant point, max. 1 mark)

5 marks

**PART 2**

**QUESTION 5**

**Marks**

- (a) Mike  
 Statement of financial position as at 31 December 2013 ½

<b>Non-current assets</b>			
Furniture and fixtures	\$	\$	½
		63 000	
<b>Current assets</b>			
Inventory	7 000		½
Rental deposit	20 000		½
Accounts receivable	27 000	54 000	½
<b>TOTAL ASSETS</b>		<u>117 000</u>	
Capital, 1 January 2013 ( <i>balancing figure</i> )		65 200	½
Add: Net profit		3 800	½
		<u>69 000</u>	
<b>Non-current liabilities</b>			
Bank loan		22 000	½
<b>Current liabilities</b>			
Accounts payable	15 000		½
Bank overdraft	11 000	26 000	½
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u>117 000</u>	(5)

- (b) Adverse impacts: Max. 4  
 – unethical practice will harm the reputation of Mike's business  
 – customers lose confidence and sales and prospects will be affected  
 – affected customers may claim compensation from Mike  
 (2 marks for each relevant adverse impact, max. 4 marks)
- (c) Stakeholder: Max. 1  
 – employees, suppliers/creditors, distributors, government, public  
 (1 mark for each relevant stakeholder, max. 1 mark)

10 marks

**QUESTION 6**

**Marks**

(a)

Sunshine Department Store  
Income statement for the year ended 31 December 2013

	\$	\$	
Sales		268 000	½
Less : Return inwards		<u>2 000</u>	½
Net sales		266 000	
Less : <u>Cost of goods sold</u>			
Opening inventory	80 000		½
Add: Purchases	120 000		½
Carriage inwards	<u>9 000</u>		½
	209 000		
Less: Closing inventory	<u>60 000</u>	<u>149 000</u>	½
Gross profit		117 000	
Less: <u>Expenses</u>			
Rent and rates	48 000		½
Sundry expenses	<u>30 000</u>	<u>78 000</u>	½
Net profit		<u><u>39 000</u></u>	½
			(5)

(b) (i) Unity of command

1

(ii) Problems:

Max. 4

- contradictory instructions will cause confusion to the subordinates
- unclear chain-of-command / line of authority will cause conflicts between the managers

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

10 marks

**END OF PAPER 1**

**PAPER 2A**  
**Accounting Module**

**General Principles of Marking**

1. The answers given in this marking scheme and those brought up in light of live scripts and discussions at the Markers' Meeting are 'suggestions' only. There are answers that are not mentioned but nevertheless are equally valid.
2. Where the number of points required is specified in a question, the first listed points will be marked up to the number required, and other points crossed out as 'excess'.

**SECTION A**

**QUESTION 1**

**Marks**

(a)

		Sales ledger control					
2013		\$	2013		\$		
½	Dec 1	Balance b/d	399 700	Dec 31	Returns inwards	23 280	½
½	31	Sales	4 392 400		Sales allowance	31 120	½
					Bank / cash	4 137 400	½
					Bad debts	36 000	½
			4 792 100		Balance c/d	564 300	1
						4 792 100	(4)

(b)

		Journal			
		Dr	Cr		
		\$	\$		
2013					
Dec 31	Allowance for doubtful debts	4 142			} 2½
	Bad debts / Profit and loss / Income summary		4 142		}
	<i>(Decrease in allowance for doubtful debts recorded)</i>				} ½
					(3)

7 marks

Workings: Balance b/d	\$38 000
Balance c/d (\$564 300 × 6%)	\$33 858
Decrease in allowance (Dr.)	<u>\$4 142</u>

**QUESTION 2**

- |  | <b>Marks</b> |
|--|--------------|
| (a) Depreciation expense for the machine:  |              |
| 2011: $(\$240\,000 - \$4\,000) / 10 = \underline{\$23\,600}$   | 1            |
| 2012: $(\$240\,000 - \$4\,000) / 10 + \$180\,000 / 9 = \$23\,600 + \$20\,000 = \underline{\$43\,600}$<br>OR $(\$240\,000 - \$4\,000 - \$23\,600 + \$180\,000) / 9 = \underline{\$43\,600}$                                     | 1½           |
| 2013: $(\$240\,000 - \$4\,000) / 10 \times 6/12 + \$180\,000 / 9 \times 6/12 = \$11\,800 + \$10\,000 = \underline{\$21\,800}$<br>OR $(\$240\,000 - \$4\,000 - \$23\,600 + \$180\,000) / 9 \times 6/12 = \underline{\$21\,800}$ | 1½           |
|  | <b>(4)</b>   |

(b)

Journal			
	Dr	Cr	
2013			
Oct 15 Insurance compensation receivable	\$	\$	
Accumulated depreciation (\$23 600 + \$43 600 + \$21 800)	210 000		½
Loss on disposal	89 000		1
Machinery (\$240 000 + \$180 000)	121 000		½
		420 000	1
			<b>(3)</b>
			<b>7 marks</b>

**QUESTION 3**

- |                        | <b>Marks</b>   |
|------------------------|----------------|
| (a) semi-variable cost |                |
| (b) sunk cost          | 1              |
| (c) opportunity cost   | 1              |
| (d) fixed cost         | 1              |
|                        | <b>1</b>       |
|                        | <b>4 marks</b> |

**QUESTION 4**

- |  | <b>Marks</b>   |
|--|----------------|
| (a) Contribution per DVD = $\$150 - \$30 = \$120$<br>Contribution per dancer kit = $\$600 - \$125 = \$475$<br>Total contribution (25 000:5000) = $\$120 \times 5 + \$475 = \$1075$                                       |                |
| Sales quantity for DVDs at breakeven point = $(\$860\,000 / \$1075) \times 5 = 4000$   | 1½             |
| Sales quantity for dancer kits at breakeven point = $(\$860\,000 / \$1075) \times 1 = 800$   | 1½             |
| (b) Contribution per dancer kit = $\$600 - (\$125 + \$75) = \$400$<br>Breakeven sales = $(\$860\,000 - \$160\,000) / \$400 \times \$600 = \$1\,050\,000$<br>Projected sales amount = $6250 \times \$600 = \$3\,750\,000$ |                |
| Margin of safety in sales dollars = $\$3\,750\,000 - \$1\,050\,000 = \$2\,700\,000$  | 3              |
|  | <b>6 marks</b> |

**SECTION B**

**QUESTION 5**

**Marks**

(a) Abby and Bobby  
Statement showing the calculation of the adjusted net profit  
for the year ended 31 December 2013

	\$	\$	
Net profit		165 000	
Less: Interest on bank loan (i) ( $\$280\,000 \times 9\% \times 3/12$ )	6 300		½
Adjustment for goods sent on sale-or-return basis (ii) ( $\$20\,000 \times 20\% \times 25/125$ )	800	7 100	1
Adjusted net profit		157 900	½ (2)

(b) Abby and Bobby  
Profit and loss appropriation account for the year ended 31 December 2013

	\$	\$	
Net profit		157 900	
Add : Interest on drawings – Abby ( $\$18\,000 \times 10\% \times 10/12$ )	1 500		½
– Bobby ( $\$12\,000 \times 10\% \times 4/12$ )	400	1 900	½
		159 800	
Less : Salary - Abby		60 000	1
Interest on capital – Abby ( $\$150\,000 \times 8\%$ )	12 000		½
– Bobby ( $\$300\,000 \times 8\%$ )	24 000	36 000	½
		96 000	
		63 800	
Share of profit :			
Abby (2/5)		25 520	½
Bobby (3/5)		38 280	½
		63 800	(4)

(c) Current

		Abby	Bobby		Abby	Bobby	
		\$	\$		\$	\$	
½	Balance b/d	43 000	—	Balance b/d	—	27 000	½
1	Drawings	18 000	12 000	Share of profit	25 520	38 280	½
½	Interest on drawings	1 500	400	Interest on capital	12 000	24 000	½
1	Balance c/d	15 020	76 880	Salary – Abby ( $\$60\,000 - \$20\,000$ )	40 000	—	½
		77 520	89 280		77 520	89 280	
					77 520	89 280	(5)

11 marks

**QUESTION 6**

**Marks**

(a)

Peter		
Income statement for the year ended 31 December 2013		
	\$	\$
Sales [ $(\$90\,000 + \$80\,000) \div 2 \times (12 \div 2)$ ]		510 000
Less: <u>Cost of goods sold</u>		
Opening inventory	75 000	
Purchases [ $(\$18\,000 + \$32\,000) \div 2 \times 9$ ]	225 000	
	300 000	
Less: Inventory loss ( <i>balancing figure</i> )	31 000	
Closing inventory	65 000	
Gross profit $(\$510\,000 \times 60\%)$	204 000	
Less: <u>Expenses</u>		306 000
Advertising expenses	8 000	
Rental expenses	37 200	
Salaries	144 000	
Inventory loss	31 000	
Depreciation expenses $(\$180\,000 \times 0.8 \times 20\%)$	28 800	
Net profit	57 000	

- (b) Limitations: Max. 2
- Accounting ratios are calculated based on historical cost and hence may not fairly reflect current performance.
  - Accounting ratios are calculated based on past financial information. Past performance of a company does not necessarily indicate its future performance.
  - Accounting ratios are affected by accounting estimates.
  - Differences in accounting policies will hinder inter-company comparisons.
  - Accounting ratios can only identify the symptoms, but not the cause. They are not able to provide any suggestions or advice to solve the existing or future problems.
  - Non-monetary but significant items, such as the quality of the products, leadership of the management and the business environment, are ignored.
- (1 mark for each relevant limitation, max. 2 marks)

11 marks

**QUESTION 7**

**Marks**

- (a) Production overheads absorbed:  
 $\$7.0 \times 180\,000 = \$1\,260\,000$   
 Over-absorbed:  
 $\$1\,260\,000 - \$1\,100\,000 = \$160\,000$  1  
1  
(2)
- (b) Since the actual total overheads and the actual number of base units are not known until the end of the financial period, the actual OAR cannot be calculated until then. The predetermined OAR can be calculated prior to the accounting period using estimated figures of overheads and absorption base units, and then used for decision-making (e.g. pricing) and cost control purposes during the year. 2
- (c)
- | <u>Production overheads</u>                    | <u>Department A</u> | <u>Department B</u> | <u>Total</u>  |   |
|--|---------------------|---------------------|---------------|---|
|  | \$                  | \$                  | \$            |   |
| Materials (70% indirect materials)             | 210 000             | 70 000              | 280 000       |   |
| Labour (20% indirect labour)                   | 164 000             | 106 000             | 270 000       |   |
| Factory depreciation                           | 339 000             | 66 000              | 405 000       |   |
| Other indirect expenses                        | 126 000             | 24 000              | 150 000       |   |
|  | 839 000             | 266 000             | 1 105 000     |   |
| Direct labour hours (DLH)                      | 100 000 hours       | 70 000 hours        | 170 000 hours |   |
| Plant-wide production overhead absorption rate |                     |                     | \$6.5 per DLH | 3 |
- (d) Job #103 =  $(1000 + 3000) \times \$6.5 = \$26\,000$  1  
 Job #104 =  $(3300 + 1100) \times \$6.5 = \$28\,600$  1  
(2)
- (e) – Based on the data of the two jobs, departmental overhead rates should provide a fairer cost assignment. 1
- Reason: 1
- Department A requires about 50% more direct labour hours than Department B but the overheads incurred are more than double of Department B. Jobs spending more time in Department A ought to be assigned more overheads.
- Supporting calculations: 3
- Department A =  $\$839\,000 / 100\,000 = \$8.39$  per DLH  
 Department B =  $\$266\,000 / 70\,000 = \$3.8$  per DLH
- Job #103 =  $1000 \times \$8.39 + 3000 \times \$3.8 = \$19\,790$   
 Job #104 =  $3300 \times \$8.39 + 1100 \times \$3.8 = \$31\,867$
- If plant-wide absorption rate is used instead of departmental overhead rates:  
 Job #103: overhead will be over-applied =  $\$26\,000 - \$19\,790 = \$6210$   
 Job #104: overhead will be under-applied =  $\$31\,867 - \$28\,600 = \$3267$

14 marks

**SECTION C**

**QUESTION 8**

**Marks**

- (a) – The materiality principle should be applied. 1
  - Materiality refers to the impact of an item's nature and size on the company's financial operations. The materiality principle states that if an item would not make a difference to the users' decision-making, it is justifiable to write the item off as an expense when it is incurred. 1
  - It is proper to expense the rubbish bin immediately in view of its insignificant value and the savings in time and cost of providing annual depreciation. 1
- (3)

Windy Company Limited  
Income statement for the year ended 31 December 2013

	\$	\$	
Sales (\$1 950 000 – \$38 000)		1 912 000	1
Less: Cost of goods sold [\$1 220 000 + \$23 600 + (\$53 240 – \$33 440)]		1 263 400	1
Gross profit		<u>648 600</u>	
Less: <u>Expenses</u>			
Administrative expenses (\$276 000 + \$182 000)	458 000		1
Selling and distribution expenses	168 400		½
Finance cost	24 000	650 400	½
Net loss		<u><u>(1 800)</u></u>	(4)

Windy Company Limited  
Statement of financial position as at 31 December 2013

	\$	\$	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, net (\$3 769 000 – \$630 000 – \$182 000)		2 957 000	1
<b>Current assets</b>			
Inventory [\$253 200 – (\$53 240 – \$33 440)]	233 400		1
Trade receivables (\$381 600 – \$38 000)	343 600		1
Cash at bank (\$5 126 400 – 150 000 × \$8)	3 926 400	4 503 400	1
<b>TOTAL ASSETS</b>		<u><u>7 460 400</u></u>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shares of \$5 each, fully paid (\$1 500 000 + \$3 000 000)		4 500 000	1
Share premium (\$209 500 + \$1 800 000)		2 009 500	1
General reserve		500 000	½
Retained profits (\$566 000 – \$1800 – \$500 000)		64 200	1½
		<u>7 073 700</u>	
<b>Current liabilities</b>			
Trade payables (\$363 100 + \$23 600)		386 700	1
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7 460 400</u></u>	(9)

- (c) – Profitability: Debenture interest is deducted from earnings and hence will result in a smaller net profit. Ordinary dividend is only a profit appropriation item. 2
  - Financial stability / solvency: A larger amount of non-current liabilities will result in higher gearing, causing financial instability. 2
- (4)

20 marks

**QUESTION 9**

**Marks**

(a)

Cash at bank							
2013			\$	2013			\$
½	Dec 31	Balance b/d	56 000	Dec 31	Trade payables (i)	5 400	1
1		Dividend income (ii)	1 250		Trade receivables (iv)	3 260	1
					Trade receivables (v)	6 750	1
					Balance c/d	41 840	½
			<u>57 250</u>			<u>57 250</u>	

(5)

(b)

Nice Company

Bank reconciliation statement as at 31 December 2013

	\$	\$	
Updated cash at bank balance		41 840	½
Add: Credit transfer wrongly made by bank (iii)	3 500		1
Unpresented cheques (vi)	<u>5 500</u>	<u>9 000</u>	1
		50 840	
Less: Uncredited deposit (vi)		<u>53 100</u>	1
Overdraft as per bank statement		<u>2 260</u>	½

(4)

(c)

Journal

2013		Dr	Cr	
Dec 31		\$	\$	
(vii)	Selling expenses	16 000		½
	Purchases		16 000	½
	Sales	22 900		½
	Trade receivables		22 900	½
(viii)	Prepaid rental expense (\$20 400 × 3/12)	5 100		½
	Rental expenses		5 100	½
(ix)	Maintenance expenses (\$108 000 + \$72 000 + \$144 000)	324 000		½
	Maintenance fee revenue		13 000	1
	(\$108 000 × 2/36 + \$72 000 × 1/24 + \$144 000 × 1/36)		311 000	½
	Unearned revenue			(5)

- (d) – The realisation principle should be applied. 1
- The principle governs that revenue should be recognised only when the related service has been provided (or when goods are delivered) to customers, and not when the monies are received. Max. 2
- The maintenance fees are received for two or three years' service and Nice Company should recognise the service fee revenue on a time basis over the respective service period.
- Maintenance fees received for service to be provided in the following years should be recorded as a liability / deferred as unearned revenue.
- (1 mark for each relevant point, max. 2 marks)

(3)

**QUESTION 9 (Cont'd)**

**Marks**

- (e) Transactions:
- sales on credit
  - other revenue earned but not yet received (e.g. interest income)
  - disposal of assets at a profit but proceeds not yet received
  - cash discounts received from suppliers
- (1½ marks for each relevant transaction, max. 3 marks)

Max. 3

20 marks

**END OF PAPER 2A**

**PAPER 2B**  
**Business Management Module**

**General Principles of Marking**

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2. Where the number of points required is specified in a question, the first listed points will be marked up to the number required, and other points crossed out as 'excess'. Otherwise, a candidate may get the full mark of a part/question by scoring from a number of relevant points.
3. The general guidelines for points which are awarded 0 to 3 marks each are as follows:
  - 0 mark : irrelevant or ambiguous answers
  - 1 mark : relevant phrases containing key words that answer the question
  - 2 / 3 marks : a relevant point of answer with a brief explanation of the concept/key words and/or illustration of how it is related to the given scenario

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**SECTION A**

**QUESTION 1**

**Marks**

Types of insurance:

4

- Public liability insurance: to cover compensation for customers' injuries inside the restaurant
- Fidelity insurance: to cover losses arising from employees' dishonesty such as fraud, forgery, and embezzlement
- Employees' compensation insurance: to cover compensation for employees' injuries
- Comprehensive insurance: to cover losses on fire and theft losses, etc

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

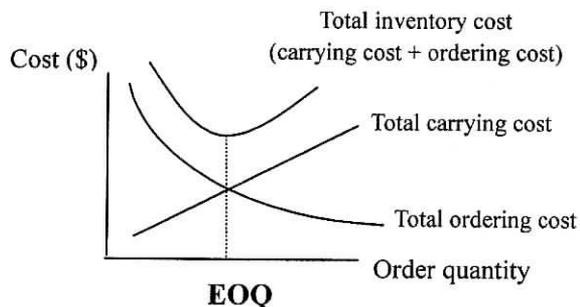
4 marks

**QUESTION 2**

**Marks**

(a) Economic order quantity:

2



(b) Re-order level:

$$(7200/360) \times 8 = 160 \text{ units}$$

2

4 marks

**QUESTION 3****Marks**

Elements:

6

- Expectancy (effort-performance expectancy): an employee's belief that working hard will lead to better job performance
- Instrumentality (performance-reward expectancy): an employee's belief that there is a link between good performance and rewards
- Valence: the value that an employee places on work-related outcomes or rewards

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

6 marks**QUESTION 4****Marks**

Sampling techniques:

6

- Random sampling: every member of the population has equal chance of being selected
- Convenience sampling: subjects are selected from the population because of their convenient accessibility
- Stratified random sampling: the population is divided into mutually exclusive groups and random samples are drawn from each group

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

6 marks**QUESTION 5****Marks**

Differences:

4

	Skimming pricing strategy	Penetration pricing strategy
Initial condition	- For customers of low price sensitivity	- For price-sensitive customers
Initial price	- Highest possible price	- Relatively low price
Initial objective	- To maximise short-term profit through higher margins	- To capture market share instantly

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

4 marks

## SECTION B

### QUESTION 6

Marks

- (a) Ways: 4
- Better credit terms
  - Monetary incentives e.g. bulk purchase discount, cash rebate
  - Advertising and promotional allowance
  - Alliance with store chains
  - Non-pecuniary rewards e.g. awards in competition
- (2 marks for each relevant way, max. 4 marks)
- (b) Methods: 4
- Critical incident: record events of effective work behaviour or serious mistakes
  - Management by objectives: set targets by both merchandiser and his/her superior, and evaluate against the targets after a certain period
  - Graphic rating scale: evaluate different levels of performance according to certain attributes or characteristics (e.g. cooperativeness)
  - Ranking: rank the merchandisers' performance
- (2 marks for each relevant method, max. 4 marks)
- (c) Steps: 6
- Set training objectives (e.g. To enhance product knowledge and the ability to formulate appropriate negotiation strategies to deal with different types of suppliers)
  - Design suitable training methods (e.g. mentoring and role-play)
  - Implementation (e.g. logistics arrangements, recruit trainers)
  - Evaluation (e.g. measure changes in work behaviour)
- (2 marks for each relevant step, max. 6 marks)
- (d) Ways: 4
- Use marketing tactics to speed up the stock turnover
  - Tighten up or revise the credit policy such as shortening the credit period to push for early repayment
  - Delay payment to trade creditors
- (2 marks for each relevant way, max. 4 marks)

18 marks

**QUESTION 7**

**Marks**

(a) Differences:

6

	Consumer Market	Business Market
Buying decision	– Relatively simpler personal decisions	– Formalised procedure / more participants / professional buyers
Nature of demand	– Direct consumption (e.g. travel during vacation) – Relatively less frequent purchases and/or smaller amounts	– Derived demand (for transporting goods to overseas customers) – Relatively more frequent purchases and/or larger amounts
Relationship between buyer and seller	– Less likely to maintain long-term relationship with airlines	– Usually maintain long-term relationship (e.g. enter into long-term contract) with airlines
Price sensitivity of buyers	– Relatively more sensitive	– Relatively less sensitive

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

(b) Benefits:

4

- Promotion: e.g. advertisement pops on website; solicit customers' consent to send promotional information; cross-selling
- Service availability: round-the-clock operations
- Administrative efficiency: issue e-ticket / boarding pass online
- Increased sales: e.g. may set lower price through savings in commissions
- Customer relationship: e.g. allows interaction to improve communication; may collect customers' feedback more easily

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

(c) Problems:

4

- violates the matching principle – non-current assets should be financed by long-term funds
- may not be able to renew the loan
- interest rate may be higher when the loan is renewed

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

(d) Macro-environmental factors:

4

- Physical: e.g. vulnerable to a wide range of weather conditions
- Political-legal: e.g. subject to changes in immigration regulations of various countries
- Technological: e.g. technical faults and accidents could be costly
- Economic: e.g. vacation travels decrease substantially during economic downturn

(2 marks for each relevant type of factors, max. 4 marks)

18 marks

## SECTION C

### QUESTION 8

Marks

- (a) Ways: 10
- Manpower planning: e.g. online shopping to reduce manpower need
  - Compensation: revise the total compensation package to make it more attractive, e.g. more breaks
  - Recruitment: e.g. open up more recruitment channels; use incentive to attract referrals
  - Performance management: e.g. set fair and clear performance standards to reduce turnover rate
  - Training and development: offer systematic training and attractive training allowance; set promising career development plan
  - Employee relations: maintain harmonious work relationships; build up a good employer brand
- (3 marks for each way under a relevant HRM function, max. 10 marks)
- (b) Investment appraisal methods: 10
- Payback period: evaluate the number of years required to recover the investment
  - Net present value: use discounted cash flows to assess whether the project brings an increase in net worth
  - Internal rate of return: use discounted cash flows to ascertain a rate at which NPV is zero
  - Accounting rate of return: use accounting approach to calculate the return rate of the project
- (3 marks for each relevant method, max. 10 marks)

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20 marks

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**QUESTION 9****Marks**

(a) Steps:

10

1. Need recognition / stimulus: e.g. to improve skin quality; to seek a better outlook on an important occasion
2. Information search: e.g. personal sources such as friends and relatives; commercial sources such as advertisements or salespeople
3. Formulate and evaluate alternatives: e.g. comparison of price, reputation and service quality, etc.
4. Purchase decision: e.g. decides on which beauty centre to patronise according to evaluation results (if no disrupting factors arise)
5. Post-purchase behaviour: e.g. patronise again if the service matches expectation; switch to another beauty centre or lodge complaints if the service falls below expectation

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

(b) Consumer rights:

10

- Right to safety: e.g. equipment should be well maintained; therapists should be well trained
- Right to be informed: e.g. customers should be informed about the qualifications of the beauty therapists and any possible side-effects of the therapies
- Right to choose: e.g. provide a variety of beauty services for customers so that they can choose the kinds of service that can meet their needs
- Right to be heard: e.g. beauty centres should provide channels such as customer service hotline for customers to express their dissatisfaction
- Right to redress: e.g. beauty centres should provide fair settlement of just claims, including compensation for unsatisfactory services or misrepresentation

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

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**20 marks**

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**END OF PAPER 2B**