

DSE 2015 BAFS

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.	D (37%)	16.	A (92%)
2.	B (80%)	17.	D (95%)
3.	C (78%)	18.	A (54%)
4.	B (28%)	19.	D (39%)
5.	C (46%)	20.	B (67%)
6.	A (63%)	21.	C (39%)
7.	B (63%)	22.	D (25%)
8.	C (70%)	23.	C (63%)
9.	B (49%)	24.	D (77%)
10.	D (64%)	25.	C (68%)
11.	A (84%)	26.	B (89%)
12.	D (61%)	27.	B (39%)
13.	A (59%)	28.	A (59%)
14.	C (54%)	29.	C (81%)
15.	B (85%)	30.	A (71%)

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

PART 1

QUESTION 1

Marks

Max. 4

(a) Characteristics:

- measurable: the goal does not specify a quantified amount of increase
- time-bound: the goal does not specify the targeted timeframe
- specific: the number of Internet bookings may refer to the log-in times of customers, successful bookings or the bookings that lead to actual rental
- realistic/attainable: the goal may not be achievable, e.g. due to the shrinking tourism business around the world

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

(b) Political factor:

- political stability of Hong Kong / travellers' home countries
- the relationship between Hong Kong/China and the travellers' home countries

(2 marks for each relevant political factor, max. 2 marks)

Max. 2

Legal factor:

- regulations related to guest house/hotel licensing
- regulations related to visa requirement

(2 marks for each relevant legal factor, max. 2 marks)

Max. 2

8 marks

QUESTION 2

Marks

(a) The consistency principle:

The accounting treatment of similar items should be the same in an accounting period and from one period to another

2

(b) - \$175 000

- Historical cost concept

- The motor van should be recorded at the actual cost to the business, that is, the net price after deducting discount.

1

1

1

5 marks

QUESTION 3

Marks

(a) Benefits:

- capital gain through the price appreciation of the shares
- investment income through share dividend
- voting rights that can affect company management

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

Max. 4

(b)(i) Conditions fulfilled:

- Calvin is a retail investor
- Calvin suffers pecuniary losses as a result of the default of a licensed stockbroker
- The shares are exchange-traded products in Hong Kong

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

Max. 2

(ii) \$150 000

1
7 marks

QUESTION 5**Marks**

(a)

John

Income statement for the year ended 31 December 2014		½	
	\$	\$	
Sales		492 000	½
Less : <u>Cost of goods sold</u>			
Purchases	227 500		½
Add: Carriage inwards	25 500		½
	<u>253 000</u>		
Less : Returns outwards	9 230		½
	<u>243 770</u>		
Less: Closing inventory	88 000	<u>155 770</u>	½
Gross profit		336 230	½
Less: <u>Expenses</u>			
Carriage outwards	23 600		½
Rental expenses	128 000		½
Salaries	120 000	<u>271 600</u>	½
Net profit		<u><u>64 630</u></u>	(5)

(b) Private limited company

1

(c) Other disadvantages:

Max. 4

- profit tax rate is higher resulting in lower distributable profits
- more requirements in setup procedures/ higher setup cost
- separation of ownership and management and thus owners may not be able to control daily operations

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

10 marks**END OF PAPER 1**

PAPER 2A
Accounting 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'.

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SECTION A

QUESTION 1

Marks

		Cash at bank			
2014		\$	2014	\$	
½	Dec 31 Balance b/d	58 930	Dec 31 Water: direct debit	3 100	1
1	Sunny Ltd: credit transfer	12 300	Man Ltd: dishonoured cheque	19 300	1
1	Yip's Ltd	8 000	Bank charges	30	½
			Balance c/d	56 800	
		79 230		79 230	

(5)

(b) Bank reconciliation statement as at 31 December 2014

	\$	
Updated balance as per cash at bank	56 800	½
Add: Unpresented cheque: 707893	12 200	1
	69 000	
Less: Uncredited deposit - Nam Ltd	8 620	1
Balance as per bank statement	60 380	½

(3)

8 marks

QUESTION 2

Marks

		Purchases ledger control				
2015		\$	2015	\$		
1/2	Mar 31	Allowance from suppliers	990	Mar 31	Balance b/d	8 900 1/2
1/2		Sales ledger control	4 500		Purchases	35 400 1/2
1/2		Discounts received	670			
1/2		Bank	19 800			
1/2		Returns outwards	560			
1/2		Balance c/d	17 780			
			<u>44 300</u>			
						<u>44 300</u>

(4)

- (b) Advantages: Max. 1
- Avoid delay: total figures for trade receivables and trade payables can be produced quickly
 - Better internal control: reduce the possibility of fraud because control accounts are prepared by another bookkeeper
 - Improve accuracy: provide a check on the correctness of the postings in the ledgers
- (1 mark for each relevant advantage, max. 1 mark)

5 marks

QUESTION 3

Marks

- (a) Cost of direct materials consumed:
 $\$30\,000 + \$140\,000 + \$20\,000 - \$55\,000 = \$135\,000$
- (b) Prime cost:
 $\$135\,000 + \$380\,000 = \$515\,000$
- (c) Cost of goods manufactured:
 $\$515\,000 + \$330\,000 + \$18\,000 - \$33\,000 = \$830\,000$
- (d) Cost of goods sold:
 $\$48\,000 + \$830\,000 - \$38\,000 = \$840\,000$

1
4 marks

QUESTION 4

Marks

- (a) Contribution margin per pair of shoes:

	\$	\$	
Selling price		350	(1/2)
Direct materials	45		
Direct labour	55		
Variable production overheads	18		
Sales commission	22	<u>140</u>	(1)
		<u>210</u>	(1/2)

- (b) Sales revenue = $(\$150\,000 + \$228\,000 + \$168\,000) / \$210 \times \$350 = \underline{\underline{\$910\,000}}$ 2
- (c) Total contribution: original selling price of \$350 per pair of shoes = $\$210 \times 3000 = \$630\,000$ 1
 Total contribution: new selling price of \$365 per pair of shoes = $\$225 \times 2700 = \$607\,500$ 1
 Peter Company should not raise the price because total contribution will decrease by \$22 500 1

7 marks

SECTION B

QUESTION 5

Marks

		Realisation			
		\$		\$	
½	Office equipment	465 000	Ron's capital: office equipment	232 500	½
½	Inventory	83 000	Loan from Tim: inventory	48 000	½
½	Trade receivables	62 000	(\$80 000 × 60%)		
½	Ron's capital: handling fee	1 200	Cash at bank: trade receivables	60 000	½
½	Cash at bank: realisation expenses	3 800	Trade payables: discounts received	4 824	½
			Loss on realisation:		
			Ron (1/6)	44 946	
			Sam (2/6)	89 892	
			Tim (3/6)	134 838	½
		<u>615 000</u>		<u>269 676</u>	
				<u>615 000</u>	(5)

		Capital							
		Ron	Sam	Tim	Ron	Sam	Tim		
		\$	\$	\$	\$	\$	\$		
½	Realisation: office equipment	232 500			Balance b/d	112 300	30 000	190 700	½
½	Loss on realisation	44 946	89 892	134 838	Realisation: handling fee	1 200			½
	Sam's capital: share of				Trade payables			196 176	½
1	deficiency (1:3)	14 973		44 919	Ron and Tim's capital:				
½	Cash at bank			207 119	share of deficiency		59 892		½
					Cash at bank	178 919			½
		<u>292 419</u>	<u>89 892</u>	<u>386 876</u>		<u>292 419</u>	<u>89 892</u>	<u>386 876</u>	(5)

10 marks

QUESTION 6

Marks

(a)		Journal		
2014		Dr	Cr	
December 31		\$	\$	
(i)	Trade receivables	500		½
	Sales		500	½
(ii)	Rates	3000		½
	Rental deposit		3000	½
(iii)	Electricity	2250		½
	Accrued electricity		2250	½
(iv)	Suspense	1200		½
	Trade receivables		1200	½
(v)	Purchases	450		½
	Suspense	90		½
	Discounts received		540	½
(vi)	Accumulated depreciation – motor van	30 000		½
	Drawings	50 000		½
	Motor van		80 000	½
				(7)
(b)	(i) error of (complete) omission			1
	(ii) error of principle			1
	(iii) error of original entry			1
				(3)
(c)	– The business entity concept was violated.			1
	– In accounting, a firm and its owner(s) are separate entities. Therefore, transactions between the firm and the owner(s) should also be recorded.			1
	– The motor van had been withdrawn by Elsa and was no longer the asset of the company. The withdrawal should be treated as drawings and proper entries should be made in the books.			1
				(3)

13 marks

QUESTION 7

Marks

(a)(i) Fixed production overheads = \$286 000 + \$80 000 + \$144 000
 = \$510 000
 Direct labour hours = $(2400 \times \frac{1}{3}) + (1800 \times \frac{1}{2}) = 1700$ direct labour hours
 Predetermined fixed production overhead absorption rate = $\$510\,000 / 1700$ direct labour hours
 = \$300 per direct labour hour (2)

(ii)

Cupcakes		\$	
Direct material	120		
Direct labour	45	(\$90 × ½)	
Variable production overheads	15		
Fixed production overheads	<u>150</u>	(\$300 × ½)	
Total production cost per box of cupcakes	<u>330</u>		(2)

(b)

Total manufacturing cost		\$	
Direct material	264 000	(\$20 × 2400 + \$120 × 1800)	½
Direct labour	153 000	(\$90 × ½ × 2400 + \$90 × ½ × 1800)	½
Variable production overheads	63 000	[\$15 × (2400 + 1800)]	½
Fixed production overheads (exclude depreciation)	<u>430 000</u>	(\$286 000 + \$144 000)	1
	<u>910 000</u>		

Total purchase cost = $(\$170 \times 2400) + (\$270 \times 1800) = \$894\,000$ ½

Net savings by purchasing: \$16 000 ½

Susan Café should buy cookies and cupcakes from the local supplier. ½ (4)

(c)
(i)

	<u>Cookies</u>	<u>Cupcakes</u>	<u>Shortbread</u>	
	\$	\$	\$	
Selling price per box	290	390	370	
Direct material cost per box	(20)	(120)	(180)	
Direct labour cost per box	(30)	(45)	(15)	
Variable production overheads per box	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>	
Contribution per box	225	210	160	
			(½)	

Direct labour required per box	⅓ hour	½ hour	⅙ hour	
Contribution per direct labour hour	\$675	\$420	\$960	
	(½)	(½)	(½)	
Production Priority	2 nd	3 rd	1 st	2

(ii)

	<u>Direct labour</u> <u>hours required</u>	<u>Annual</u> <u>production</u> <u>quantity</u>	
1. Shortbread	650	3 900	1
2. Cookies	800	2 400	1
3. Cupcakes	<u>550</u>	1 100	1
	2 000		<u>(5)</u>
			<u>13 marks</u>

SECTION C

QUESTION 8

Marks

(a) Statement showing the calculation of the cost of the new office equipment		
	\$	
Payment for cost	140 000	½
Trade-in value of the old office equipment	22 000	½
Delivery charge	5 000	½
Insurance fee on transportation	1 000	½
Total cost of the new office equipment	<u>168 000</u>	1
		(3)

(b) Nancy Company Limited			
Income statement for the year ended 31 December 2014			
	\$	\$	
Sales (\$1 380 000 – \$7500)		1 372 500	½
Less: <u>Cost of goods sold</u>			
Opening inventory	156 000		½
Purchases	890 000		½
	<u>1 046 000</u>		
Less: Closing inventory			
[\$290 000 – (\$58 000 – \$49 980)]	<u>281 980</u>	<u>764 020</u>	1
Gross profit		608 480	
Less: <u>Expenses</u>			
Administrative expenses (<i>workings</i>)	375 700		2½
Selling and distribution expenses (\$286 900 + \$2000)	288 900		½
Finance cost (\$150 000 × 6% × ½)	<u>4 500</u>	<u>669 100</u>	½
Net loss		<u>(60 620)</u>	(6)

Workings

Calculation of administrative expenses for the year ended 31 December 2014	
	\$
As per trial balance	345 000
Depreciation for 2014:	
- Disposed office equipment (\$100 000 × 10% × ½)	7 500
- Remaining office equipment [(\$1 570 000 – \$100 000) × 10%]	147 000
- New office equipment (\$168 000 × 10% × ½)	4 200
Loss on disposal of office equipment [\$100 000 – (\$52 500 + 7 500) – \$22 000]	18 000
Cost of new office equipment (\$140 000 + \$5000 + \$1000)	<u>(146 000)</u>
	<u>375 700</u>

QUESTION 8 (Cont'd)

Marks

Nancy Company Limited
Statement of financial position as at 31 December 2014

ASSETS	\$	\$	
Non-current assets			
Office equipment (\$1 570 000 – \$100 000 + \$168 000)		1 638 000	1
Less: Accumulated depreciation (\$340 000 – \$52 500 + \$147 000 + \$4200)		438 700	1½
		1 199 300	
Current assets			
Inventory	281 980		½
Trade receivables (\$321 900 – \$7500)	314 400	596 380	½
TOTAL ASSETS		1 795 680	
EQUITY AND LIABILITIES			
Equity			
Ordinary shares of \$5 each, fully paid		1 200 000	½
General reserve		100 000	½
Retained profits (\$210 000 – \$60 620 – \$100 000)		49 380	1
		1 349 380	
Non-current liabilities			
6% Debentures		150 000	½
Current liabilities			
Trade payables	247 800		½
Accrued finance cost	4 500		½
Accrued selling expenses	2 000		½
Bank overdraft	42 000	296 300	½
TOTAL EQUITY AND LIABILITIES		1 795 680	(8)

- (c) – Prudence concept should be applied. 1
- It means that when choosing among accounting alternatives, the best choice is one that is least likely to overstate assets and profits. **Max. 2**
 - The company should adopt the lower of cost or net realisable value in the valuation of inventory.
 - The loss of the damaged inventory \$8020 (\$58 000 - \$49 980) should be recognised in the income statement for the year ended 31 December 2014.
- (1 mark for each relevant point, max. 2 marks) (3)

20 marks

QUESTION 9

Marks

- (a) – Accrual concept is violated. 1
 – Revenues and expenses are recognised and included in the financial statements when they are earned or incurred, not when they are received or paid. 1
 – Therefore, the electricity expenses should be recorded in the financial statements of 2014, though it was still unpaid at the year end. 1
 (3)
- (b) (i) Inventory
 = \$31 700 – (\$3000 × 0.9) + \$5000
 = \$34 000 2
- (ii) Current assets
 = (\$343 000 – \$101 000) + \$27 000 – (\$65 000 – \$34 000)
 = \$238 000 3
- (c) (i) Net profit ratio:

$$= \frac{[(\$128\ 000 - \$40\ 000) + (\$34\ 000 - \$31\ 700) - \$2500] \times 100\%}{390\ 000 + 60\ 000}$$

$$= \frac{\$87\ 800 \times 100\%}{\$450\ 000}$$
 = 19.51% 2
- (ii) Quick ratio:

$$= \frac{\$238\ 000 - \$34\ 000}{\$43\ 000 + \$3000 + \$2500}$$

$$= \frac{\$204\ 000}{\$48\ 500}$$
 = 4.21:1 2
- (iii) Trade payables turnover (times)

$$= \frac{\$132\ 000}{(\$43\ 000 + \$46\ 000) / 2}$$

$$= \frac{\$132\ 000}{\$44\ 500}$$
 = 2.97 times 2
- (iv) Inventory turnover (times)

$$= \frac{\$65\ 000 + (\$110\ 000 + \$132\ 000) - \$34\ 000}{(\$65\ 000 + \$34\ 000) / 2}$$

$$= \frac{\$273\ 000}{\$49\ 500}$$
 = 5.52 times 2
 (13)
- (d) – Pearl Ltd should invest in Lily Ltd. 1
- Lily Ltd is a better investment because it has
 – higher return on capital employed: it has higher profitability with more efficient use of its capital to generate profits. 1
 – lower gearing ratio: it has lower degree of leverage and hence lower risk and financial burden. 1
 – higher earnings per share: it has higher profitability and the amount of profits earned for each outstanding share is higher. 1
 (4)

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

SECTION A

QUESTION 1	Marks
Limitations:	6
<ul style="list-style-type: none">- business environment changes rapidly and the budgets may not be able to catch up accordingly- budgeted sales results may be achieved through window-dressing- the budgeting staff may have made unrealistic estimates- non-quantitative achievements (e.g. good relationship with customers) are not revealed in the budgets	
(2 marks for each relevant limitation, max. 6 marks)	
	<hr/> <u>6 marks</u>
QUESTION 2	Marks
Risk management strategies:	4
<ul style="list-style-type: none">- Risk reduction: e.g. install anti-theft equipment- Risk transfer: e.g. buy theft insurance- Risk assumption: e.g. bear the losses on stolen items	
(2 marks for each relevant strategy, max. 4 marks)	
	<hr/> <u>4 marks</u>
QUESTION 3	Marks
Benefits:	6
<ul style="list-style-type: none">- reduce turnover rate- instill corporate culture and values- foster collaboration and mentoring- enhance employees' productivity and quality of work	
(2 marks for each relevant benefit, max. 6 marks)	
	<hr/> <u>6 marks</u>

QUESTION 4

Meaning and examples:

Input: perceived contribution made by employees' themselves

Example: skills, education, training, effort, experience, time

Marks

1

1

Output: perceived reward received by employees

1

Example: level of compensation, promotion opportunities, bonus, status, fringe benefits, recognition, praise

1

(2 marks for relevant meaning and example for each term, max 4 marks)

4 marks

QUESTION 5

Ordinances:

- Trade Descriptions Ordinance
- Sale of Goods Ordinance
- Food Safety Ordinance
- Toys and Children's Products Safety Ordinance
- Weights and Measures Ordinance

Marks

4

(1 mark for each relevant ordinance, max. 4 marks)

4 marks

SECTION B

QUESTION 6

Marks

(a) Elements of credit policy:

4

- credit terms: lower credit limit, shorten credit period
- credit standard: set a higher standard to screen out retailers with poor creditworthiness
- collection policy: take measures to expedite debt collection procedures, e.g. sending reminders

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

(b) Elements of promotion mix:

6

- advertising: e.g. place advertisements on various media such as TV, magazine and the Internet
- sales promotion: e.g. give incentives such as purchase discounts, gifts, coupons and samples
- public relations: e.g. launch events such as press conference and road shows
- personal selling: e.g. train in-store salespeople to persuade customers to buy

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

(c) Theory X assumptions:

4

- people inherently dislike work and need to be closely monitored
- people try to avoid responsibilities and require rules and guidelines to make them work hard
- people have little ambition and need to be led

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

- (d) Non-monetary rewards: 4
- recognition programmes: e.g. best salesperson award
 - more training and development opportunities
 - more job autonomy
 - better welfare
 - verbal appreciation
- (1 mark for each relevant non-monetary reward, max. 4 marks)

18 marks

QUESTION 7

Marks

- (a) (i) 2013: $\$30\,000\,000 / \$12\,500\,000 = 2.4$ times 1
 2014: $\$35\,000\,000 / \$17\,500\,000 = 2.0$ times 1
- (ii) Reason: 2
- less efficient use of assets: increased spending on more sophisticated equipment to increase competitiveness, but no proportionate increase in sales
- (2 marks for each relevant reason, max. 2 marks)
- (b) Ways: 6
- intangibility: e.g. provide a cleaner environment to enhance visibility of service standard
 - heterogeneity: e.g. provide training to enhance the level of standardisation
 - perishability: e.g. promote non-peak hour bookings to reduce customers' waiting time
 - inseparability: e.g. hire experienced trainers with good communication skills to enhance interaction with customers
- (2 marks for each relevant way related to one characteristic, max. 6 marks)
- (c) Limitations: 4
- the technical skills of the applicants are more important for the job but these cannot be easily reflected in an interview
 - result of the interview is subject to personal bias of the interviewers
 - difficult to set and apply standardised selection criteria
- (2 marks for each relevant limitation, max. 4 marks)
- (d) - Characteristic: growing number of competitors 1
- Product strategy: e.g. provide a greater variety of beauty and skin care services to differentiate from competitors 1
- Characteristic: growing number of customers / growing number of competitors 1
- Pricing strategy: e.g. set lower prices to penetrate market 1
- (2 marks for each example and relevant characteristic, max 4 marks)

18 marks

SECTION C

QUESTION 8

Marks

- (a) Manpower planning process: 8
1. forecast manpower demand based on the plan and scale of expansion: quantity and quality of manpower
 2. estimate manpower supply: assess the current turnover rate, retirement policy and attrition rate
 3. compare manpower demand and supply: identify shortfall and skill deficiencies
 4. develop action plans and follow up: plan for recruitment and selection, plan for training and development activities
- (2 marks for each relevant step in correct sequence, max. 8 marks)

(b) 12

Evaluation criteria	Debt financing	Equity financing
Repayment and liquidity/ Risk	<ul style="list-style-type: none"> ● Higher risk ● Regular interest payments ● Pre-set repayment schedule ● Repayment of principal upon maturity 	<ul style="list-style-type: none"> ● Lower risk ● No repayment schedule and regular interest payment
Flexibility and control of fund usage	<ul style="list-style-type: none"> ● Lower flexibility and control ● Restraints of fund usage imposed by creditors 	<ul style="list-style-type: none"> ● Greater flexibility and control ● e.g. ploughing back retained earnings is a direct and simple way under the full control of the company
Dilution of control	<ul style="list-style-type: none"> ● No 	<ul style="list-style-type: none"> ● Yes
Collateral	<ul style="list-style-type: none"> ● Often required 	<ul style="list-style-type: none"> ● Not required
Cost	<ul style="list-style-type: none"> ● Interest expenses are tax deductible ● No issuing cost/ low administrative cost 	<ul style="list-style-type: none"> ● Dividend is not tax-deductible ● High issuing cost/ administrative cost
Profit sharing	<ul style="list-style-type: none"> ● No profit sharing ● Pre-agreed interest and principal → no direct claim on future profit 	<ul style="list-style-type: none"> ● If the company is successful in the future, profit will be shared with new investors

(3 marks for each relevant criterion, max. 12 marks)

20 marks

QUESTION 9

Marks

- (a) Bases of market segmentation:
- demographic segmentation: e.g. people with different income levels may have different expectations on decoration and quality of food for the banquets
 - psychographic segmentation: e.g. people with different lifestyles (such as vegetarians and people who care about environmental protection) may order different dishes for their banquets
 - behavioural segmentation: e.g. different people may hold banquets for different occasions such as weddings, birthdays and graduation dinners
 - geographic segmentation: e.g. customers from different countries may have different preferences for banquet settings and proceedings
- (3 marks for each relevant base, max. 10 marks)

10

- (b) Factors to be considered when selecting target market:
- Segment size and affordability: e.g. an attractive segment should be substantial enough for the hotel to consider entering (e.g. visitors from the mainland)
 - Segment growth rate: e.g. segments with strong growth rates are more attractive for the hotel
 - Structural attractiveness: e.g. a segment which has less intense competition is preferred
 - Company objectives: e.g. a segment is not attractive to a hotel if it does not match its long-run objectives
 - Company capability: e.g. the hotel should possess the skills and resources to provide satisfactory service to the segment
- (3 marks for each relevant factor, max. 10 marks)

10

20 marks

END OF PAPER 2B