

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1A
Accounting Strand
Sample Paper

8:30 am – 9:30 am (1 hour)

This paper must be answered in English

GENERAL INSTRUCTIONS

- (1) There are TWO sections, A and B, in this Paper. Section A consists of multiple-choice questions and Section B contains short questions.
- (2) Answer ALL questions.
- (3) Answers to Section A should be marked on the Multiple-choice Answer Sheet while answers to Section B should be written in the Answer Book. In the Answer Book, start EACH question (not part of a question) on a NEW page.
- (4) The Answer Sheet for Section A and the Answer Book for Section B must be handed in separately at the end of the examination.

INSTRUCTIONS FOR SECTION A (MULTIPLE-CHOICE QUESTIONS)

- (1) Read carefully the instructions on the Answer Sheet. After the announcement of the start of the examination, you should first stick a barcode label and insert the information required in the spaces provided. No extra time will be given for sticking on the barcode label after the ‘Time is up’ announcement.
- (2) When told to open this book, you should check that all the questions are there. Look for the words ‘END OF SECTION A’ after the last question.
- (3) All questions carry equal marks.
- (4) ANSWER ALL QUESTIONS. You are advised to use an HB pencil to mark all the answers on the Answer Sheet, so that wrong marks can be completely erased with a clean rubber. You must mark the answers clearly; otherwise you will lose marks if the answers cannot be captured.
- (5) You should mark only ONE answer for each question. If you mark more than one answer, you will receive NO MARKS for that question.
- (6) No marks will be deducted for wrong answers.

This sample paper aims to illustrate the revised rubrics, instructions and paper layout, effective from the 2025 examination. The questions are adapted from past papers as follows:

Section A

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2016	1	Business Environment	Same as Paper 1B
2	2015	1		
3	2018	7		
4	2016	15		
5	2016	17		
6	2017	6		
7	2017	1		
8	2016	28		
9	2016	4	Personal Financial Management	
10	2016	9		
11	2016	14		
12	2017	13		
13	2017	3		
14	2016	25		
15	2017	23		
16	2017	26		
17	2018	26	Basics of Management	
18	2016	3		
19	2015	3		
20	2016	20		
21	2016	10		
22	2016	22		
23	2016	24		
24	2017	14		

Section B

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2018	1	Business environment	Same as Paper 1B
2a	2016	2a	Personal Financial Management	
2b	2017	2		
3a	2017	3c	Basics of Management	
3b	2016	5c		

SECTION A Choose the best answer for each question.

(48 marks)

1. Which of the following is/are the characteristic(s) of multinational corporations located in Hong Kong?
- (1) Their operations also take place outside Hong Kong.
 - (2) They are listed on the stock exchange of Hong Kong.
 - (3) They have more than 100 employees.
- A. (1) only
 - B. (1) and (2) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
2. A limited partner _____.
- A. is a general partner
 - B. is not liable for the debts of a partnership
 - C. does not need to invest money into a partnership
 - D. does not take part in the management of a partnership
3. Ethical behaviour in business will _____.
- (1) enhance the public image of a business
 - (2) increase the operating costs of a business in the long run
 - (3) enable a business to be subject to a lower profits tax rate
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
4. Which of the following companies is/are socially responsible?
- (1) A power company which develops new technology to help reduce gas emissions.
 - (2) A printing company which accepts many orders from social welfare organisations.
 - (3) A trading company which encourages employees to participate in voluntary work to serve the community.
- A. (1) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
5. Which of the following is a benefit brought about by the “Closer Economic Partnership Arrangement” (CEPA) for the businesses in Hong Kong?
- A. Companies owned by Hong Kong residents are not taxed on the Mainland.
 - B. There is free flow of capital between Hong Kong and the Mainland.
 - C. Tariffs are not levied on goods originating in Hong Kong exported to the Mainland.
 - D. Hong Kong is allowed to enter the World Trade Organization as an independent economy.

6. Which of the following statements about the trade relationship between Hong Kong and the Mainland are correct?
- (1) Hong Kong is the largest trading partner of the Mainland.
 - (2) In terms of the value of goods, the Mainland is the largest re-export destination of Hong Kong.
 - (3) Many goods originating in Hong Kong exported to the Mainland are tariff-free.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
7. Which of the following statements about Asia-Pacific Economic Cooperation is/are correct?
- (1) It settles trade disputes in the Asia-Pacific region.
 - (2) It promotes sustainable economic growth in the Asia-Pacific region.
 - (3) It encourages cooperation on trade and investment in the Asia-Pacific region through high-level government-to-government dialogues.
- A. (1) only
 - B. (1) and (2) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
8. A _____ is easier to set up and enjoys a relatively low tax rate in Hong Kong. All owners are liable for the business decisions of one another in this entity.
- A. partnership
 - B. sole proprietorship
 - C. private limited company
 - D. public limited company
9. Anna has just retired at the age 65 and has received a substantial amount from a provident fund. She plans to invest the money to get some returns but is not willing to take high risks. Which of the following financial instruments is the **least** suitable for her?
- A. term deposits
 - B. saving deposits
 - C. iBond
 - D. shares
10. A credit card user
- (1) can buy goods and services overseas with a credit card issued in Hong Kong.
 - (2) can settle the whole outstanding balance of the statement by the due date in order to avoid interest charges.
 - (3) can enjoy a lower interest rate to settle the overdue credit card balance than for a personal loan.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

11. A bank offers a saving plan which requires an initial deposit of \$100 000. The plan generates the following cash flows at the end of subsequent years:

	\$
Year 1	20 000
Year 2	35 000
Year 3	55 000

Given a discount rate of 5% p.a., what is the net present value of the saving plan?

- A. \$10 000
B. \$9523.81
C. \$4761.90
D. - \$1695.28
12. If the nominal rate of return remains unchanged, which of the following statements about the effective rate of return are correct?
- (1) Effective rate of return reflects the actual return on an investment.
(2) Effective rate of return will be higher if the amount of the principal increases.
(3) Effective rate of return will be higher if the frequency of compounding increases.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
13. Which of the following statements about the Hang Seng Index is **not** correct?
- A. Its sub-indexes are: Finance, Utilities, Properties, and Commerce and Industry.
B. It measures the performance of the largest and most liquid companies listed in Hong Kong.
C. It includes 50 stocks listed on the GEM.
D. It serves as a benchmark of the general performance of the Hong Kong stock market.
14. Simon is a self-employed fashion designer. He
- (1) has the right not to enrol into an Mandatory Provident Fund (MPF) scheme.
(2) has the right to make voluntary contributions to the MPF scheme.
(3) has the right to withdraw his accrued benefits from the MPF scheme before reaching the age 65 if he migrates to another country.
- A. (1) only
B. (2) only
C. (3) only
D. (2) and (3) only
15. Which of the following are the benefits for a borrower of maintaining a good personal credit record?
- (1) lower interest rate on personal loan
(2) higher credit limit
(3) better terms when opening a term deposit account
- 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 will affect the share price of a listed company selling motorcars?

- (1) fuel price
- (2) interest rate
- (3) dividend policy of the company

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

17. A car retailer sets the following sales target for its new car model:

‘50% of Hong Kong drivers will buy our new car model in 2019.’

Which of the following criteria for setting good objectives is/are fulfilled in this sales target?

- (1) specific
- (2) measurable
- (3) attainable

- A. (2) only
- B. (3) only
- C. (1) and (2) only
- D. (1) and (3) only

18. In a company with departmentalisation by geographical location,

- A. departmental offices are set up in the regions which the department oversees.
- B. departmental managers are responsible for business operations in the regions which the department oversees.
- C. departmental outlets only sell goods produced in the regions which the department oversees.
- D. departmental staff is only recruited from the regions which the department oversees.

19. Susan is the supervisor of a group of fashion designers in a garment firm. She only gives broad directions to the designers, allowing them to complete the assigned tasks in their own ways.

Susan is adopting the _____ style of leadership.

- A. autocratic
- B. centralised
- C. laissez faire
- D. participative

20. Which of the following are the importance of small and medium enterprises to the local economy?

- (1) They provide materials and services to large businesses.
- (2) They provide unique products to satisfy the needs of the Hong Kong market.
- (3) They provide the major source of tax income for Hong Kong.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

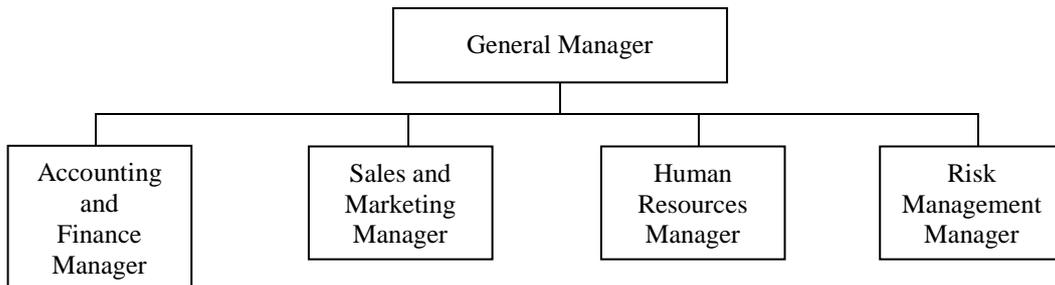
21. Which of the following statements about 'division of work' are correct?
- (1) It facilitates automation of production.
 - (2) It makes it easier for managers to supervise the production process.
 - (3) It makes it easier for workers to master the production process they are responsible for.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
22. Which of the following are the benefits of defining the goal of a project?
- (1) provide clear directions to employees
 - (2) help control the progress of work and monitor the performance of employees
 - (3) reduce employees' workload
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
23. Which of the following statements about 'unity of command' is correct?
- A. Each manager takes up one project only.
 - B. Each subordinate directly reports to one supervisor only.
 - C. All employees are working towards the same goals.
 - D. All employees receive the same instructions when assigned the same tasks.
24. Which of the following illustrate the importance of entrepreneurship in business development?
- (1) reduce business risks
 - (2) promote economic growth
 - (3) encourage innovation
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

END OF SECTION A

SECTION B Answer ALL questions.

(24 marks)

1. Nick Limited is a private limited company, manufacturing and selling electrical appliances locally. Facing international competition, the company is planning to set up an online store to sell worldwide. To lower costs and increase sales, the company is analysing the effects of globalisation in order to formulate new business strategies.
- (a) Explain one technological factor and one economic factor that Nick Limited should consider when planning to set up the online store. (4 marks)
- (b) Suggest two strategies to Nick Limited that may lower its production cost under globalisation. (4 marks)
2. (a) Explain how the share price of a property development company in Hong Kong changes in a booming local economy. (2 marks)
- (b) Mary has just retired and received her retirement fund. A financial planner advised her to invest the retirement fund in various financial instruments.
- (i) Explain two of Mary's financial needs after her retirement. (4 marks)
- (ii) As an investor, what responsibilities does Mary have? List any two. (2 marks)
3. John runs a retail business selling electronic appliances. The organisation chart of the business is as follows:



Recently, the warehouse of John's business caught fire, which led to substantial losses.

- (a) Which department of John's business should be responsible for claiming insurance compensation? Explain one main role of this department in the business. (3 marks)

A business consultant advises John to improve the controlling functions of the business.

- (b) (i) What is the purpose of controlling in management? (1 mark)
- (ii) List the steps in the controlling process. (4 marks)

END OF PAPER