

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 1B
Business Management 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 1A
2	2015	1		
3	2018	7		
4	2016	15		
5	2016	17		
6	2017	6		
7	2017	1		
8	2016	28		
9	2016	4	Basics of 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	2016	5	Basics of Accounting	
18	2015	10		
19	2015	18		
20	2018	23		
21	2017	5		
22	2016	29		
23	2017	19		
24	2018	29		

Section B

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2018	1	Business environment	Same as Paper 1A
2a	2016	2a	Personal Financial Management	
2b	2017	2		
3a	2015	4a	Basics of Accounting	
3b	2015	2b		

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. Sunny, who maintains a good credit record, is a customer of Mary's business. For the year ended 31 December 2015, Mary sold goods for \$8 000 on credit to Sunny. Sunny fully settled the debt in January 2016. According to the _____ (1) _____, Mary should record this transaction as sales for the year _____ (2) _____.
- | | <u>(1)</u> | <u>(2)</u> |
|----|--------------------------|------------|
| A. | accrual concept | 2015 |
| B. | accrual concept | 2016 |
| C. | going concern assumption | 2015 |
| D. | going concern assumption | 2016 |
18. Which of the following is not a nominal account?
- A. salaries account
 - B. purchases account
 - C. returns inwards account
 - D. cash at bank account
19. Which of the following descriptions of cash discounts offered to customers are correct?
- (1) They are expenses.
 - (2) They must be recorded in the books.
 - (3) They are used to encourage customers to purchase in cash.
- 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 is **not** a function of accounting?
- A. summarising business transactions
 - B. monitoring the performance of the accounting staff
 - C. communicating the performance of the business to different stakeholders
 - D. classifying business transactions

21. In the accounting cycle, which of the following steps comes immediately after the preparation of a trial balance?
- A. preparing financial statements
 - B. making period-end adjustments
 - C. posting entries to the ledgers
 - D. recording transactions in the books of original entry

22. The following account balances as at 31 December 2015 were extracted from the books of a firm:

	Dr	Cr
	\$	\$
Purchases	75 000	
Returns inwards and returns outwards	5 000	3 000
Discounts allowed and discounts received	3 500	2 000
Inventory as at 1 January 2015	15 000	
Electricity	10 000	
Wages and salaries	36 500	

Given that the inventory as at 31 December 2015 was \$27 000, what was the cost of goods sold for the year ended 31 December 2015?

- A. \$54 500
 - B. \$58 000
 - C. \$60 000
 - D. \$63 000
23. Mr Wong set up a firm on 1 January 2017. He introduced his motor van of \$40 000 into the firm. The firm borrowed \$200 000 from Mr Wong's relatives to purchase office equipment and \$100 000 from bank for the business operation.

What are the amounts of the firm's assets, liabilities and capital on 1 January 2017?

	<u>Assets</u>	<u>Liabilities</u>	<u>Capital</u>
	\$	\$	\$
A.	240 000	200 000	40 000
B.	40 000	300 000	340 000
C.	340 000	100 000	240 000
D.	340 000	300 000	40 000

24. Which of the following about an income statement is **not** correct?
- A. Information is mostly quantitative.
 - B. Information mainly reflects past events.
 - C. Its preparation involves professional judgements.
 - D. Its preparation is based on cash receipts and cash payments only.

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. Peter is the sole owner of a garment firm. The following balances as at 31 December 2014 were obtained from the firm:

	\$
Bank loan (repayable in September 2015)	430 000
Capital, 1 January 2014	?
Cash at bank	398 000
Fixed deposit (6-month)	180 000
Inventory	210 000
Motor vehicles	986 000
Net profit for the year	82 000
Trade payables	383 000
Trade receivables	320 000

- (a) Prepare a statement of financial position for Peter's business as at 31 December 2014. (5 marks)

The firm bought a motor van for business use and paid \$175 000 from its bank account. The list price of the motor van was \$200 000 and a discount of \$25 000 was given by the vendor.

- (b) State the amount to be recorded for the motor van in the books of the firm. Explain your answer with a relevant accounting principle or concept. (3 marks)

END OF PAPER