



# 福建中學

## FUKIEN SECONDARY SCHOOL

S6 Mock Examination (2020-2021)  
Business, Accounting and Financial Studies Paper 1  
(1 hour 15 minutes)

Date: 22<sup>nd</sup> January 2021  
Time: 8:30a.m. - 9:45a.m.

Name: \_\_\_\_\_  
Class: \_\_\_\_\_ No.: \_\_\_\_\_

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 in Section A. There are two parts in Section B: Answer **ALL** questions in Part 1 and **ONE** of the two questions in Part 2.
- (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.

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### 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 insert the information required in the spaces provided. No extra time will be given to insert information 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 your 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.

**SECTION A (60 marks)**

There are 30 questions in this section. Answer **ALL** questions. Choose the **best** answer for each question.

1. Aladdin deposited \$X in his bank account at the end of 2018. The bank offers an annual interest rate of 6.5%, compounded annually. If Aladdin withdraws \$10 000 on 1 January 2021, what is X?
  - A. \$8 278
  - B. \$8 817
  - C. \$9 390
  - D. \$9 685
  
2. Which of the following statements concerning Management By Objective (MBO) is correct?
  - A. Managers can devote less time communicating with employees as each employee has a clear understanding of what he should do.
  - B. Employees have a higher commitment to objectives that they set themselves than those imposed on them by their managers.
  - C. Coordination among workers in different departments is improved as employees work together to carry out the organisation's plan.
  - D. MBO can ensure that employees' objectives are linked to the organisation's long-term objectives.
  
3. Which of the following descriptions of business ownership is incorrect?
  - A. A partnership must be formed by at least two partners.
  - B. A private limited company has a separate legal existence.
  - C. A sole proprietorship is solely owned by one person.
  - D. A joint venture is formed by only two business entities.
  
4. Which of the following statements concerning the income statement is correct?
  - A. There is no need to prepare an income statement for a business that has incurred a loss during the accounting period.
  - B. Capital contributed by the owner during the accounting period is listed as 'other revenues' in the income statement.
  - C. The income statement is not part of the double-entry system.
  - D. The income statement is a ledger.
  
5. Which of the following tasks is not performed by the company's marketing department?
  - A. Conducting surveys on customer satisfaction
  - B. Collecting daily sales figures of the company's products
  - C. Setting the price of a product
  - D. Deciding on the distribution channel for a product

6. Which of the following should be treated as drawings?
- (1) The owner took a computer from the business for personal use.
  - (2) The owner took goods from the business as a gift for his son.
  - (3) Electricity bills of the owner's apartment were paid for by cheques drawn on the business bank account.
- A. (1) only  
B. (1) and (2) only  
C. (2) and (3) only  
D. (1), (2) and (3)
7. Micky wants to deposit \$10 000 in a bank account to earn interest. Which of the following banks will he choose?
- A. Bank A: Offers an annual interest rate of 8%, compounded annually  
B. Bank B: Offers an annual interest rate of 7.8%, compounded twice a year  
C. Bank C: Offers an interest rate of 7.5% per annum, compounded quarterly  
D. Cannot be determined as the term of deposit is unknown
8. Given the following figures: non-current assets \$3 680; total assets \$13 540; current liabilities \$2 010; non-current liabilities \$2 110. The current ratio is
- A. 1.83 : 1.  
B. 3.29 : 1.  
C. 4.91 : 1.  
D. Cannot be determined
9. The major aim of operations management is to
- A. ensure that goods and services are produced efficiently and meet quality standards.  
B. set up an inventory management system.  
C. design an effective production process.  
D. estimate future demand for the company's goods and services.
10. Which of the following statements regarding small and medium enterprises (SMEs) in Hong Kong is correct?
- A. SMEs enjoy a lower tax rate than large companies.  
B. SMEs cannot be listed on the stock market.  
C. Most SMEs are financed solely by their owners.  
D. SMEs are involved in tertiary production only.

11. Which of the following is not a characteristic of a franchise?
- A. Franchisees have to operate their businesses according to the franchisor's requirement.
  - B. Franchisees can operate the business independently.
  - C. Franchisees can set up their businesses with ease with the support of the franchisor.
  - D. Franchisees can enjoy the benefits of a large shop.
12. The owner bought a computer for her business with her own money. The effect of this event on the accounting equation was:
- A. Both assets and capital increased.
  - B. Both liabilities and capital increased.
  - C. Assets increased while liabilities decreased.
  - D. Capital increased while both assets and liabilities remained unchanged.
13. Which of the following concerning the importance of entrepreneurship to business development is correct?
- A. Entrepreneurship brings more products and services, which are lower in price and better in quality.
  - B. Entrepreneurship leads to innovation in products and services which must better satisfy customers' needs.
  - C. Entrepreneurship generates economic growth as entrepreneurs organise production and enhance production efficiency.
  - D. All of the above
14. Which of the following statements about the Hong Kong economy is/are correct?
- (1) The working population in Hong Kong engages in the tertiary sector only.
  - (2) Hong Kong imports a lot of consumer goods from the Mainland to meet people's daily needs.
  - (3) Only a few goods and services in Hong Kong are subject to taxation.
- A. (3) only
  - B. (1) and (2) only
  - C. (2) and (3) only
  - D. (1), (2) and (3)
15. Which of the following is a nominal account?
- A. Cash at bank
  - B. Bank interest
  - C. Office equipment
  - D. Trade payables

16. Which of the following companies are socially responsible?

- (1) A supermarket which donates good quality unsold food to food banks
- (2) A bank which allows its employees to work from home during a pandemic
- (3) A pharmaceutical company which specialises in medicines for the elderly

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

17. Which of the following statements about the Mandatory Provident Fund (MPF) System in Hong Kong is correct?

- A. Both the employer and the employee can make voluntary contributions to the employer's MPF scheme.
- B. It is not necessary for an MPF scheme member to withdraw all of his accrued benefits at age 65.
- C. Self-employed persons have to make monthly mandatory contributions to their MPF schemes regardless of their income.
- D. Workers in the catering industry do not need to join an MPF scheme.

18. Which of the following best explains why investing in government bonds is less risky than investing in ordinary shares?

- A. Governments will compensate investors if they suffer a huge loss, but companies will not.
- B. Ordinary shareholders have voting rights at annual general meetings, but bondholders do not.
- C. Government bonds cannot be sold in the bond market, but ordinary shares can be sold in the stock market.
- D. Bond interest is guaranteed, but dividends to ordinary shareholders are not.

19. Last week, Buzz paid his tuition by cheque. The cheque was not dishonoured even though he did not have enough money in his current account. He also bought a new TV on credit. He has to repay a fixed sum of money every month for a year.

Which type(s) of consumer credit did Buzz use?

- (1) Credit card
- (2) Bank overdraft
- (3) Instalment loan

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

20. Robin is a franchisor in Hong Kong. His franchise consists of 20 stores run by franchisees.

Which of the following statements about Robin are correct?

- (1) He has control over the store appearance and product prices of the franchise stores.
- (2) He can receive royalties from the franchisees.
- (3) He needs to provide premises to the franchisees to operate their stores.

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

21. The Hang Seng Index can help investors \_\_\_\_\_.

- (1) understand general price movements on the Hong Kong stock market
- (2) compare the performance of the Hong Kong stock market at different time periods
- (3) predict the price changes of its constituent stocks

- 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 statements about a trial balance is correct?

- A. If a trial balance is prepared during the year instead of at the year-end date, the debit balance and the credit balance would disagree.
- B. The trial balance is a financial statement.
- C. The amount of owner's capital would not be listed in the trial balance.
- D. None of the above

23. Daisy and Donald work at the same company. Daisy is the human resources manager and Donald is the marketing manager. Which of the following statements about the authority in the company is/are correct?

- (1) Daisy has line authority over her subordinates.
- (2) Daisy has staff authority over Donald.
- (3) Donald has staff authority over his subordinates.

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

24. Which of the following tasks are performed by the finance department of a company?

- (1) Formulating debt collection policy
- (2) Setting up a payroll system
- (3) Seeking funds to finance a promotion campaign

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

25. The middle manager of a company is responsible for

- (1) implementing decisions made by the top management.
- (2) supervising front-line workers.
- (3) formulating corporate policies.

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

26. Given the following figures: Sales (net) \$501 600; Returns outwards \$1 800; Returns inwards \$65 110; Purchases (gross) \$90 600; Wages and salaries \$195 600; Rent \$180 000; Carriage outwards \$12 000; Closing inventory \$20 000. Gross profit ratio is

- A. 12.52%.
- B. 35.11%.
- C. 76.14%.
- D. 86.28%.

27. Which of the following are the characteristics of a public corporation?

- (1) Its losses are borne by taxpayers.
- (2) It has a separate legal existence.
- (3) The government does not participate in the daily running of the business.

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

28. Which of the following statements about division of work is correct?

- (1) It facilitates automation of production as production is divided into small tasks.
- (2) Even if a worker makes mistakes, the entire production process will not be affected.
- (3) Workers can find it easier to master the production process for which they are responsible.

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

29. Going concern concept

- (1) assumes that a business will not incur a loss in the coming year.
- (2) is not applicable to a business that incurred a loss last year.
- (3) is also called the accrual concept.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. None of the above

30. Which of the following items would be listed in the statement of financial position?

- A. Amount of rent and rates
- B. Net profit for the year
- C. Trade discounts given by suppliers
- D. Opening inventory

**END OF SECTION A**



**SECTION B** (30 marks)**Part 1** (20 marks) Answer **ALL** questions in this part.

1. An airline company's financial performance is subject to various risks and uncertainties. Explain one legal factor and one economic factor that will adversely affect the financial performance of an airline company. (4 marks)
2. A fast food chain in Hong Kong has set up the following goal in 2020:  
'More people will like our food in the near future.'  
Explain two SMART goal characteristics that are not demonstrated by the above goal. (4 marks)
3. Goofy runs an IT company as a sole proprietor. To raise money for expansion, Goofy plans to change the firm's form of business ownership as follows:
  - (i) Four people will be invited as owners to join the company.
  - (ii) They will invest money in the company.
  - (iii) All of the owners will have limited liability.
  - (iv) Their ownership cannot be freely transferred.
  - (a) Which form of business ownership will Goofy adopt for the expansion? (1 mark)
  - (b) Apart from the restriction of ownership transfer, suggest two other disadvantages for the form of business ownership mentioned in part (a), as compared with a sole proprietorship. (4 marks)
4. On 1 October 2020, Elsa's firm purchased goods of \$1 500 by cheque. On 20 October 2020, the firm sold goods to Anna on credit for \$2 000. A cash discount of 2% would be offered to Anna if she were to settle the payment within 14 days after purchase. Anna settled the account by cheque on 25 October 2020.

You are now given a list of accounts:

(1) Purchases; (2) Sales; (3) Bank; (4) Discounts received; (5) Discounts allowed; (6) Anna

- (a) With reference to the accounts above, prepare the accounts to record the above transactions for Elsa's firm. You do not need to balance off the accounts. (4 marks)

The firm's financial year ends on 31 October. On 3 November 2020, the firm received a water bill for October 2020 of \$1 200. The bill was settled on 5 November 2020.

- (b) Explain, with a relevant accounting principle or convention, in which financial year the water fees of \$1 200 should be recorded as an expense. (3 marks)

**Part 2** (10 marks) Answer **ONE** question in this part.

5. Nemo commences a trading company as a sole proprietor. The following balances were extracted from the books of the company as at 30 November 2020, the financial year-end date of the first operation year:

	\$
Motor vehicles	150 000
Sales	1 288 503
Purchases	219 330
Miscellaneous expenses	1 450
Staff salaries	58 060
Rent	840 000
Capital, 1 December 2019	300 000
Cash at bank	75 000
Loan from Disney Bank	40 000
Minnie (trade debtor)	?

- (a) Prepare for Nemo's business a trial balance as at 30 November 2020. (5 marks)

As Nemo believes that his employees are all very capable, he encourages them to participate in the decision-making process. He takes their opinions into consideration when making decisions.

- (b) (i) State the leadership style adopted by Nemo. (1 mark)
- (ii) Explain two advantages of the leadership style adopted by Nemo. (4 marks)
- (Total: 10 marks)

6. On 1 September 2019, Mulan started a firm selling computer accessories. The following balances were extracted from her books as at 31 August 2020:

	\$
Capital, 1 September 2019	?
Cash at bank	14 400
Operating expenses	28 500
Office furniture	300 000
Purchases	36 800
Sales	120 600
Trade receivables	4 000
Trade payables	80
Bank loan (repayable on 31 December 2020)	100 000
Motor vehicles	80 000

Inventory as at 31 August 2020 was valued at \$100.

- (a) Prepare a statement of financial position for Mulan's firm as at 31 August 2020. (5 marks)

Mulan plans to expand her business to other Asian cities in the next few years. She will restructure the firm and set up various departments, including production, marketing, finance and human resources.

- (b) (i) State the form of departmentalisation that Mulan plans. (1 mark)
- (ii) Briefly describe two other forms of departmentalisation that could be adopted by Mulan's firm. (4 marks)

(Total: 10 marks)

**END OF PAPER**