SECTION C

QUESTION 8

		Marks

(a)   Steps: 10
   - identify training needs: e.g. unawareness of front-line staff on regulations of investment products
   - formulate training objectives and plan: e.g. update front-line staff on the latest regulations of investment products
   - design training programme(s): e.g. in forms of workshops, on-line training kit
   - implement the training programme: e.g. require front-line staff to attend the training within a specific period of time
   - evaluate the effectiveness of the training programme: e.g. written test for front-line staff on the regulations of investment products

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

(b)   NPV formula and relevant examples: 10
   - initial outlay: cost of purchase of the computer training system
   - cash flows: cash inflows may include cost saved from hiring of trainer whereas cash outflows may include maintenance cost of the system
   - discount rate: cost of capital, interest rate on loans or required rate of return
   - project life: year of usage of the computer training system
   - net present value: discounted monetary value of the computer training system, i.e. positive value means worth buying, negative value means not worth buying

   (1 mark for each relevant variable and 2 marks for each relevant example, max. 10 marks)

   20 marks

QUESTION 9

(a)   Bases for market segmentation: 8
   - geographic segmentation: countries, cities or neighbourhood, e.g. target those guests from the Mainland
   - demographic segmentation: age, sex, income, occupation, family life cycle and educational level, e.g. a 5-star hotel targets those guests with higher income
   - psychographic segmentation: social class, life style and personality characteristics, e.g. target those guests from the upper class
   - benefit segmentation: product benefits that customers seek, e.g. target those guests who seek for a convenient location

   (2 marks for each relevant base, max. 8 marks)

(b)   CRM is a process that involves the use of customers' information to build and maintain customer relationships in an organised way.   2

   Reasons: 10
   - more knowledge about customers thus better services can be provided
   - lower cost to serve existing customers
   - easier to retain customers than to acquire new customers
   - increase cross-selling opportunity

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

   20 marks

END OF PAPER 2B

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Candidates' performance

There were totally 16 955 candidates joined the BAFS examination this year. 12 241 of them chose the Accounting Module and the rest of 4562 chose the Business Management Module.

Paper 1

Part A   (multiple-choice questions)

Candidates' performance in general was good, the average number of questions they answered correctly is 20. They showed an understanding of the basic concepts and principles of the subject.   However, there was still room for improvement in applying their knowledge to business environments and situations.

Q4   20.83% of the candidates chose the key (option A), while 48.70% chose option B. Many candidates overlooked the fact that small businesses can also be limited companies and hence mistakenly concluded that they enjoyed a lower tax rate.   Candidates' understanding of the contributions of small businesses to the economy was also lacking.

Q6   45.13% of the candidates chose the key (option B), while 30.34% chose option A.   Some candidates failed to apply the controlling process to the sales department of a business.

Q17   41.54% of the candidates chose the key (option C), while 36.28% chose option B.   The cost of the equipment acquired by borrowing from the bank was mistakenly deducted from the capital by some candidates.

Q28   33.10% of the candidates chose the key (option A), while 39.58% chose option C.   Many candidates failed to grasp the use of purchases ledger and sales journal.

Part B   (conventional questions)

This part consisted of seven questions.   All questions were compulsory.   The candidates' performance is summarised in the table below:

Question Number		Performance in General
1		Fair. Only a few candidates correctly stated the three limitations. Many candidates failed to explain clearly the limitations they mentioned. A small number wrongly gave the personal capabilities of users as limitations of the use of financial statements.
2		Poor. A few candidates identified quality control and inventory management as improvement measures but most of them failed to elaborate on how these measures could help reducing the number of defective items. Many candidates wrongly listed measures of other business functions (e.g. Human Resources Management) as answers.
3	(a)	Fair. Many candidates were unable to suggest one purpose of investing in a mutual fund. Some candidates mistakenly said that the risks associated with mutual funds are low.
	(b)	Satisfactory. Most candidates named at least one instrument as required. However, some riskier instruments without stable returns (such as warrants) were mentioned.

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Question Number		Performance in General
4		Satisfactory. About half of the candidates listed the principles of effective communication but some of them failed to give appropriate examples from the email to explain their answers.
5	(a)	Very good. Many candidates scored high marks in this part. However, some candidates mistook "Statement of Financial Position" for "Income Statement". Not many candidates got the presentation mark as quite a number of them were unable to list current assets and current liabilities in order of liquidity, or present the heading / date etc of the statement incorrectly.
	(b)	Very good. This part was well answered. However, some candidates ignored the requirement regarding calculating the Gross Profit Ratio to two decimal places.
6	(a)	Good. The majority of candidates were able to give the correct valuation with the going concern concept as explanations. However, some candidates wrongly applied the historical cost concept as answers.
	(b)	Good. Despite the good performance of most candidates, some of them were unable to explain clearly the adverse effect of the closure on the stakeholders.
7	(a)	Good. Candidates in general had a thorough knowledge of the advantages of setting up a partnership instead of a sole proprietorship and were able to give two reasons why Mary should accept Paul's invitation. However, a few of them just stated the reasons but did not give explanations.
	(b)	Fair. Most candidates were able to list the criteria for setting good business goals but some of them failed to explain the answers with appropriate examples.

Paper 2A   (Accounting Module)

There were four short questions in Section A and three application problems in Section B.   All questions were compulsory.   Also, there were two case questions in Section C.   Candidates were required to answer one out of the two questions.   The candidates' performance is summarised in the table below:

Section A (30 marks)

Question Number		Performance in General
1	(a)	Very good. Most candidates performed well in this control account problem. There were however a minority of candidates who attempted to include as many figures from the question as they could and no mark would be awarded accordingly.
	(b)	Fair. Very often candidates suggested that control accounts were used to find correct figures rather than to detect errors.
2	(a)(1)	Fair. Many candidates provided one full year depreciation without realising that the old machinery was almost fully depreciated at the beginning of the accounting year. Although the question stated clearly that the new machinery was bought on 1 March 2011, quite a lot of candidates still applied full year depreciation to the newly acquired machinery.
	(a)(2)	Fair. Quite a number of candidates did not prepare the accumulated depreciation account but only showed the calculation of depreciation charges. It was quite common for candidates to mix up the debit and credit sides of the accumulated depreciation account and make entries on the wrong side. Many candidates did not realise that the insurance premium of $36 000 was a

Question Number		Performance in General
		revenue expenditure.
	(b)	Very good. Most candidates came to correct conclusion that the consistency principle was not violated. However, many did not give the correct explanations and quite a lot of them only stated the general definition of the consistency principle. Many did not respond to the question of whether different depreciation methods applied to different non-current assets would constitute a violation of the principle or not.
3	(a)	Fair. Many candidates described the purposes of corporate governance instead of giving corporate governance an exact definition.
	(b)	Fair. Some candidates indicated general ways of improving corporate governance without relating their solutions to the case given.
4	(a)	Very good. Most candidates correctly identified the cost elements of the closing inventories. However, some candidates were not able to indicate how their answers were linked with their workings.
	(b)	Satisfactory. Some candidates misinterpreted the amount of contribution as the total of production costs.
	(c)	Fair. Many candidates were not able to find out the fixed element of the production overheads.

Section B (50 marks)

Question Number		Performance in General
5	(a)	Fair. Some candidates did not know how to update the cash at bank account with the information provided. Many candidates failed to write the correct corresponding ledger account names as descriptions for entries in updating the cash book. Candidates should realise that the cash at bank account is one the ledger accounts in the double entry system.
	(b)	Satisfactory. Many candidates were not able to work out the amount for the unpresented cheque 532009 or to indicate that there was a bank error for the cheque 982277.
	(c)	Good. Most candidates were able to list two logical reasons for the returned cheque.
6	(a)	Satisfactory. Most candidates indicated the examples of both direct and indirect costs, but many of them were not able to give their definitions.
	(b)(1)	Very Good. Candidates were well prepared for activity-based costing although a minority of them ignored the requirement of a statement format. Some did not apportion the overheads of the service centres to the production departments.
	(b)(2)	Fair. Many candidates got confused when determining the cost allocation base for the production departments. Some wrongly used direct labour cost as the cost allocation base.
	(c)	Good. Candidates arrived at the correct answer of product unit cost using either the total cost approach or the unit cost approach, although a minority of them overlooked the requirement of a statement format. Some wrongly came up with the budgeted unit production costs of MP1/MP2 based on both machine hours used and direct labour used.

(d)		Good. Candidates understood the pricing policy of a mark up based on total production cost. A small number of candidates overlooked the requirement of rounding the final answer of the unit selling price to the nearest dollar.
7 (a)(1)		Good. Most candidates correctly prepared the realisation account and ascertained the loss on realisation. Some candidates mixed up the loan from partners with the respective partners' capital.
(a)(2)		Satisfactory. Some candidates were not able to correctly work out the repayment of loan from Bob and trade payable.
(a)(3)		Weak. Many candidates were not able to find out the correct amount of the final settlement among the partners.
(b)		Weak. Many candidates did not understand the advantages of keeping separate capital and current accounts for each of the partners.

Section C   (20 marks)

Question Number	Popularity	Performance in General
8 (a)	40%	Well answered. Only a few candidates failed to work out the correct amounts of total fixed costs and total variable costs.
(b)		Poor. Some candidates were able to give a correct breakeven point in units of DC under Alternative A. However, a majority of candidates failed to calculate the answer under Alternative B as they didn't know the correct treatment of 48 000 units of sales in the local market and the extent of it to cover the fixed costs.
(c)		Fair. Most candidates had problems in working out the contribution and fixed costs (e.g. the advertising expenses in Alternative A and the printing cost in Alternative B) in both alternatives. As a result, they failed to compute the correct profits and make the correct decision.
(d)		Poor. Most candidates failed to identify and/or explain the financial factors for adopting alternative B.
(e)		Fair. Most candidates were able to identify and compare the relevant cost and benefit with a view to justifying the decision of not hiring the equipment.
9 (a)	56%	Poor. Many candidates were not aware that the nominal accounts had been closed and that all adjustments relating to profits or losses should ultimately be made to retained earnings instead of the various revenues and expenses accounts only. Some candidates could not identify the journal entries required for the issue of debentures and the use of the proceeds from the issue to settle outstanding trade payables. The cash discount in most cases was wrongly calculated and candidates did not compute the correct amount to be debited to trade payables. A majority of the candidates failed to accrue interest on the debentures. Candidates were not familiar with the corrections relating to the sale of equipment and cash sales.
(b)		Fair. Some candidates were not familiar with the classification and presentation of the various items in the statement of financial position. The adjustments in part (a) were sometimes ignored by the candidates. As a result, the cash at bank and retained profits were often wrong.

(c)		Fair. Few candidates pointed out that the accounting treatment in (vi) was not correct since the revenue to be recognised was not certain.

Paper 2B   (Business Management Module)

There were five short questions in Section A and two case studies in Section B. All questions were compulsory. Also, there were two essay questions in Section C. Candidates were required to answer one out of the two questions. The candidates' performance is summarised in the table below:

Section A   (30 marks)

Question Number	Performance in General
1	Satisfactory. About one half of the candidates were able to state the purpose of indirect compensation correctly. However, a small number of candidates were unable to provide the definition of indirect compensation. They misinterpreted indirect compensation as incentive pay compensation policy and provided wrong purposes, such as an increase in productivity and improvement of morale, as answer.
2	Fair. Many candidates were not able to outline the three elements of a sales and purchase contract. Some of the candidates mixed up the elements with the terms of sale.
3	Satisfactory. Most candidates were able to explain how collective bargaining can promote industrial relations, e.g. improve the communication between employers and employees, so that better understanding can be achieved. Some candidates focused only on the benefits brought to employees, however, e.g. better cohesion among employees, while some focused only on the benefits to employers, e.g., better image. These answers failed to specify ways to promote industrial relations.
4	Poor. Most candidates failed to refer to the management functions as required by the question. Some of the candidates who did mention the management function did not explain how budgeting can be helpful for performing management functions and thus be useful to the management of a company.
5	Good. Most candidates discussed the benefits that a book store can realise after using e-marketing for its distribution function.

Section B   (50 marks)

Question Number	Performance in General
6 (a)(i)	Poor. Many candidates were not able to explain why the use of the EOQ model can help reduce inventory costs. Some candidates misinterpreted minimum holding cost as minimum total inventory cost.
(a)(ii)	Satisfactory. Most candidates calculated the correct EOQ.
(b)	Poor. Many candidates were not familiar with the meaning of 'hedge' and tended to provide general but irrelevant answers.
(c)	Very good. Many candidates were able to explain the definition of marketing concept and apply it to the case.

Question Number		Performance in General
	(d)	Good. Many candidates successfully outlined the consumer decision-making process. However, some disregarded the specific requirement that their answers should be limited to the steps before they made the purchase decision.
	(e)	Very good. Most candidates were able to list and illustrate the elements of the marketing mix using the case.
7	(a)	Well-answered. Most candidates provided the adverse consequences but some failed to answer from the perspective of human resources management.
	(b)	Fair. Most candidates provided ways to motivate the crew members in this case. However, some candidates wrongly included hygiene factors and a minority of candidates wrongly used Theory X and Y.
	(c)	Poor. Most candidates failed to point out the principles of uninsurable risks. They apparently did not have a good understanding of the topic.
	(d)	Satisfactory. Most candidates were able to explain ways to reduce the delays in payment but a lot of them failed to provide two elements of credit policies.
	(e)	Satisfactory. Most candidates provided sources of funds for the takeover. However, they failed to provide justification for those sources. Some candidates wrongly suggested short-term funds and some were not aware of excluding retained earnings as a source of funds in this case.

Section C   (20 marks)

Question Number		Popularity	Performance in General
8	(a)	31%	Satisfactory. Most candidates described the steps in the training function appropriately.
	(b)		Poor. Most candidates did not identify the variables of the Net Present Value (NPV) or illustrate these with a relevant example. Some provided the equation of the calculation of NPV only.
9	(a)	66%	Good. Most candidates properly explained the bases of market segmentation for a new hotel. They also elaborated clearly on the four types of segmentation variables with reference to the tourist industry in HK. However, some candidates only listed out the segmentation bases without applying them to the scenario in the question.
	(b)		Poor. Many candidates did not distinguish between customer relationship management and customer relationships. They commented on the importance of customer relationships instead of customer relationship management. Some candidates did not explain the example with reference to the hotel sector.