

## 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.	A (83%)	16.	C (52%)
2.	B (56%)	17.	B (74%)
3.	C (91%)	18.	B (74%)
4.	C (41%)	19.	A (75%)
5.	B (82%)	20.	D (80%)
6.	C (44%)	21.	C (90%)
7.	D (78%)	22.	A (75%)
8.	A (57%)	23.	A (64%)
9.	A (76%)	24.	D (72%)
10.	B (80%)	25.	B (73%)
11.	D (62%)	26.	C (60%)
12.	C (57%)	27.	D (78%)
13.	D (58%)	28.	A (52%)
14.	C (85%)	29.	D (68%)
15.	A (71%)	30.	B (54%)

*Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.*

#### SECTION B

##### *General Principles of Marking*

1. 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.
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'.
3. 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

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**PART 1**

**QUESTION 1**

**Marks**

- (a) Nominal partner: Patrick 1
- (b) Contributions: Max. 4
- provide professional advice
  - enhance reputation of the business
  - strengthen business linkages
- (2 marks for each relevant contribution, max. 4 marks)

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**5 marks**

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**QUESTION 2**

**Marks**

- (a) Conceptual skill 1
- A general manager should possess the ability to think creatively and to analyse and understand complicated and abstract ideas in order to perform management functions such as planning and organising 2
- (b) Functions: Max. 2
- identify and/or create market opportunities
  - determine market position
  - select target market
  - formulate and evaluate marketing strategies (4Ps)
  - implement and monitor marketing activities
  - manage customer relationship
- (1 mark for each relevant function, max. 2 marks)

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**5 marks**

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**QUESTION 3**

**Marks**

- (a) Books of original entry:
- (i) Sales Day Book / Sales Journal 1
  - (ii) Return Outwards Day Book / Return Outwards Journal 1
  - (iii) Cash Book 1
- (b) (i) Real account: Max. 1
- Cash at bank, trade receivables, trade payables  
(1 mark for each relevant example, max. 1 mark)
- (ii) Nominal account: Max. 1
- sales, return outwards, office salaries  
(1 mark for each relevant example, max. 1 mark)

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**5 marks**

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**QUESTION 4**

**Marks**

- (a) Present value =  $(\$3\,000\,000 \times 30\%) / (1.02)^3 = \underline{\underline{\sim\$848\,090}}$  2
- (b) Government bonds 1  
 Lower investment risk with higher certainty of achieving the required amount: 1  
 – Tom will receive fixed income during the 3 years to achieve the target return Max. 1  
 – Tom will get back the principal if he buys a bond that will mature in 3 years  
 – dividends of ordinary shares are not obligatory and may vary between years and hence the target return cannot be guaranteed  
 – share prices fluctuate and Tom may incur capital loss when the shares are sold three years later  
 (1 mark for any relevant point, max. 1 mark)

5 marks

**PART 2**

**QUESTION 5**

**Marks**

- (a) **Mike**  
 Statement of financial position as at 31 December 2013 ½
- |                                                     |        |         |     |
|-----------------------------------------------------|--------|---------|-----|
| <b>Non-current assets</b>                           | \$     | \$      |     |
| Furniture and fixtures                              |        | 63 000  | ½   |
| <b>Current assets</b>                               |        |         |     |
| Inventory                                           | 7 000  |         | ½   |
| Rental deposit                                      | 20 000 |         | ½   |
| Accounts receivable                                 | 27 000 | 54 000  | ½   |
| <b>TOTAL ASSETS</b>                                 |        | 117 000 |     |
| Capital, 1 January 2013 ( <i>balancing figure</i> ) |        | 65 200  | ½   |
| Add: Net profit                                     |        | 3 800   | ½   |
|                                                     |        | 69 000  |     |
| <b>Non-current liabilities</b>                      |        |         |     |
| Bank loan                                           |        | 22 000  | ½   |
| <b>Current liabilities</b>                          |        |         |     |
| Accounts payable                                    | 15 000 |         | ½   |
| Bank overdraft                                      | 11 000 | 26 000  | ½   |
| <b>TOTAL CAPITAL AND LIABILITIES</b>                |        | 117 000 | (5) |
- (b) Adverse impacts: Max. 4  
 – unethical practice will harm the reputation of Mike’s business  
 – customers lose confidence and sales and prospects will be affected  
 – affected customers may claim compensation from Mike  
 (2 marks for each relevant adverse impact, max. 4 marks)
- (c) Stakeholder: Max. 1  
 – employees, suppliers/creditors, distributors, government, public  
 (1 mark for each relevant stakeholder, max. 1 mark)

10 marks

**QUESTION 6**

**Marks**

Sunshine Department Store		
Income statement for the year ended 31 December 2013		
	\$	\$
Sales		268 000
Less : Return inwards		<u>2 000</u>
Net sales		266 000
Less : <u>Cost of goods sold</u>		
Opening inventory	80 000	
Add: Purchases	120 000	
Carriage inwards	<u>9 000</u>	
	209 000	
Less: Closing inventory	<u>60 000</u>	<u>149 000</u>
Gross profit		117 000
Less: <u>Expenses</u>		
Rent and rates	48 000	
Sundry expenses	<u>30 000</u>	<u>78 000</u>
Net profit		<u><u>39 000</u></u>

- (b) (i) Unity of command 1
- (ii) Problems: Max. 4
- contradictory instructions will cause confusion to the subordinates
- unclear chain-of-command / line of authority will cause conflicts between the managers
- (2 marks for each relevant problem, max. 4 marks)

10 marks

**END OF PAPER 1**