

## 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.	D (37%)	16.	A (92%)
2.	B (80%)	17.	D (95%)
3.	C (78%)	18.	A (54%)
4.	B (28%)	19.	D (39%)
5.	C (46%)	20.	B (67%)
6.	A (63%)	21.	C (39%)
7.	B (63%)	22.	D (25%)
8.	C (70%)	23.	C (63%)
9.	B (49%)	24.	D (77%)
10.	D (64%)	25.	C (68%)
11.	A (84%)	26.	B (89%)
12.	D (61%)	27.	B (39%)
13.	A (59%)	28.	A (59%)
14.	C (54%)	29.	C (81%)
15.	B (85%)	30.	A (71%)

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

#### SECTION B

##### *General Principles of Marking*

- 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.
- 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'.
- 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) Characteristics: Max. 4
- measurable: the goal does not specify a quantified amount of increase
  - time-bound: the goal does not specify the targeted timeframe
  - specific: the number of Internet bookings may refer to the log-in times of customers, successful bookings or the bookings that lead to actual rental
  - realistic/attainable: the goal may not be achievable, e.g. due to the shrinking tourism business around the world
- (2 marks for each relevant characteristic, max. 4 marks)
- (b) Political factor: Max. 2
- political stability of Hong Kong / travellers' home countries
  - the relationship between Hong Kong/China and the travellers' home countries
- (2 marks for each relevant political factor, max. 2 marks)
- Legal factor: Max. 2
- regulations related to guest house/hotel licensing
  - regulations related to visa requirement
- (2 marks for each relevant legal factor, max. 2 marks)

8 marks

**QUESTION 2**

**Marks**

- (a) The consistency principle: 2  
The accounting treatment of similar items should be the same in an accounting period and from one period to another
- (b) - \$175 000 1  
- Historical cost concept 1  
- The motor van should be recorded at the actual cost to the business, that is, the net price after deducting discount. 1

5 marks

**QUESTION 3**

**Marks**

- (a) Benefits: Max. 4
- capital gain through the price appreciation of the shares
  - investment income through share dividend
  - voting rights that can affect company management
- (2 marks for each relevant benefit, max. 4 marks)
- (b)(i) Conditions fulfilled: Max. 2
- Calvin is a retail investor
  - Calvin suffers pecuniary losses as a result of the default of a licensed stockbroker
  - The shares are exchange-traded products in Hong Kong
- (1 mark for each relevant condition, max. 2 marks)
- (ii) \$150 000 1

7 marks

PART 2

QUESTION 4

Marks

(a)

Peter

Statement of financial position as at 31 December 2014

	\$	\$	
<b>Non-current assets</b>			
Motor vehicles		986 000	½
<b>Current assets</b>			
Inventory	210 000		½
Fixed deposit (6-month)	180 000		½
Trade receivables	320 000		½
Cash at bank	398 000	1 108 000	½
<b>TOTAL ASSETS</b>		<u>2 094 000</u>	
Capital, 1 January 2014 ( <i>balancing figure</i> )		1 199 000	½
Add: Net profit		82 000	½
		1 281 000	
<b>Current liabilities</b>			
Trade payables	383 000		½
Bank loan (repayable in September 2015)	430 000	813 000	½
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u>2 094 000</u>	

(5)

(b) Departmentalisation by location

1

(c) Other forms:

Max. 4

- By product: e.g. set up different departments to take care of the garment business for men's, women's and kids' wears respectively
- By function: e.g. set up different departments to take care of production, marketing, human resource and finance respectively

(2 marks for each relevant form of departmentalisation, max. 4 marks)

10 marks

**QUESTION 5**

**Marks**

(a)	John		
	Income statement for the year ended 31 December 2014		½
		\$	\$
	Sales		492 000
	Less : <u>Cost of goods sold</u>		
	Purchases	227 500	½
	Add: Carriage inwards	<u>25 500</u>	½
		253 000	
	Less : Returns outwards	<u>9 230</u>	½
		243 770	
	Less: Closing inventory	<u>88 000</u>	½
	Gross profit		<u>336 230</u>
	Less: <u>Expenses</u>		
	Carriage outwards	23 600	½
	Rental expenses	128 000	½
	Salaries	<u>120 000</u>	½
	Net profit		<u><u>64 630</u></u>
			(5)
(b)	Private limited company		1
(c)	Other disadvantages:		Max. 4
	– profit tax rate is higher resulting in lower distributable profits		
	– more requirements in setup procedures/ higher setup cost		
	– separation of ownership and management and thus owners may not be able to control daily operations		
	(2 marks for each relevant disadvantage, max. 4 marks)		

10 marks

**END OF PAPER 1**