

## Candidates' Performance

There were 14 207 candidates for Business, Accounting and Financial Studies examination this year: 10 058 candidates chose the Accounting Module and 4149 chose the Business Management Module. Approximately 53% of the candidates sat the English papers.

### Paper 1

#### Section A

There were 30 multiple-choice questions in this section. While the percentage of correct answers to some questions was below 50%, candidates' overall performance was still considered to be good. The mean score was 37 out of a total of 60 marks for this section. The results showed that many candidates were weak in applying their knowledge to business environments and real life situations. The percentage correct was lowest in the following questions:

**Q1** A limited partner \_\_\_\_\_.

- |   |       |
|---|-------|
| A. is a nominal partner                                   | (14%) |
| B. is not liable for the debts of a partnership           | (46%) |
| C. does not need to invest money into a partnership       | (3%)  |
| *D. does not take part in the management of a partnership | (37%) |

Many candidates did not understand thoroughly the meaning of limited liability and the role of a limited partner.

**Q4** In October 2014, a firm had the following purchases and returns:

- Oct 2 Purchased goods on credit from Mr Yu for \$2500
- 9 Purchased goods in cash for \$2000
- 17 Returned goods to Mr Yu for \$300
- 26 Purchased goods on credit from Miss Lui for \$3200 with a cash discount of 10% if payment is made within 30 days

Based on the above information, what should be the total amount of purchases recorded for the month of October 2014 in the Purchases Journal?

- |            |       |
|------------|-------|
| A. \$5380  | (11%) |
| *B. \$5700 | (28%) |
| C. \$7400  | (47%) |
| D. \$7700  | (14%) |

Many candidates wrongly including cash purchases and returns outwards in the records of the Purchases Journal.

**Q19** Which of the following are the advantages to a company of using email for internal communication?

- (1) Any feedback can be received instantly.
- (2) Both textual and audio-visual messages can be sent.
- (3) A message can be sent to many recipients at the same time.

- |                      |       |
|----------------------|-------|
| A. (1) and (2) only  | (1%)  |
| B. (1) and (3) only  | (12%) |
| C. (2) and (3) only  | (48%) |
| *D. (1), (2) and (3) | (39%) |

Many candidates overlooked the advantages of email that it is instant and allows for two-way communication.

**Q21** An operations manager of a company is responsible for \_\_\_\_\_ .

- (1) assigning jobs to the factory workers
  - (2) projecting the demand for the products
  - (3) setting up the assembly lines for the plant
- A. (1) only (15%)
  - B. (2) only (16%)
  - \*C. (1) and (3) only (39%)
  - D. (1), (2) and (3) (30%)

Many candidates mixed up the roles of a marketing manager with those of an operations manager.

**Q22** Which of the following statements regarding the World Trade Organisation (WTO) are correct?

- (1) WTO settles trade disputes among members.
  - (2) Decisions made by WTO are binding on all members.
  - (3) WTO helps developing countries develop the infrastructure needed to expand their trade.
- A. (1) and (2) only (45%)
  - B. (1) and (3) only (24%)
  - C. (2) and (3) only (6%)
  - \*D. (1), (2) and (3) (25%)

Many candidates overlooked the role of the WTO in helping developing countries build their infrastructure.

**Section B**

**Part 1**

Question Number	Performance in General
1 (a)	Good. Most candidates were able to explain the characteristics of a SMART goal with reference to Annie's business.
(b)	Fair. Though many candidates were able to suggest political and legal factors, most of them failed to relate their explanations to the case scenario. Some used irrelevant assumptions and examples.
2 (a)	Good. Most candidates were able to explain the consistency principle.
(b)	Satisfactory. Many candidates were able to state the correct valuation for the motor van and mention the historical cost concept. However, many of them failed to explain how to reach this amount.
3 (a)	Good. Most candidates were able to explain the benefits to an investor of investing in shares. However, some candidates mixed up the meanings of "dividend" and "interest".
(b)	Poor. Candidates were not aware of the conditions for receiving compensation from the Investor Compensation Fund and the maximum amount of compensation.

**Part 2**

Question Number	Popularity	Performance in General
4	(a) 17%	Good. Most candidates prepared the statement of financial position and worked out the amount of capital. However, some candidates failed to classify "Fixed deposit (6-month)" as a current asset and "Bank loan (repayable in September 2015)" as a current liability. Some failed to present the heading of the statement properly.
	(b)	Very Good. Most candidates stated the form of departmentalisation planned by Peter.
	(c)	Good. Most candidates were able to describe the other forms of departmentalisation. However, some candidates mentioned the sub-divisions of a production department instead of the departments of the firm.
5	(a) 83%	Good. Most candidates presented the income statement and got the correct profit figures. Some of them mixed up some cost items with expense items, such as "Carriage inwards" and "Carriage outwards". Some failed to present the heading of the income statement properly.
	(b)	Fair. Among the wrong answers, "partnership" was mentioned most. Candidates overlooked the fact that all the new owners would have limited liability for the firm.
	(c)	Fair. Some candidates compared the characteristics of the two forms of business ownership instead of suggesting the disadvantages for a private limited company as compared to a sole proprietorship. Restriction in ownership transfer, which had been given in the question, was also mentioned as an answer by some candidates.

**General comments and suggestions**

Candidates' performance was in general satisfactory. While good answers were seen in questions requiring recall of knowledge, candidates were weak in comprehension and the application of knowledge, in particular applying knowledge and concepts to case scenarios. Many candidates wasted their effort in writing as much as possible without paying attention to the organisation and elaboration of their answers. Candidates are reminded to study the questions carefully and thoroughly and respond to what is asked.

**Paper 2A (Accounting Module)****Section A**

Question Number	Performance in General
1	(a) Good. Most candidates updated the cash at bank account correctly. Many candidates did not identify the item "refer to drawer" as a dishonoured cheque, while others failed to provide the appropriate descriptions for the postings in the cash at bank account.
	(b) Good. However, although most candidates managed to show the amounts of the relevant items in the bank reconciliation statement, some did not describe these items as unpresented cheques or uncredited deposits. Some candidates did not follow the requirements of the question to commence with the updated cash at bank balance.
2	(a) Very good. Most candidates prepared the purchases ledger control account correctly. However, some reversed the debit and credit entries of some items and a few debited and credited the account with the same items and thus got no marks.
	(b) Very good. Most candidates were able to state an advantage of maintaining control accounts.

Question Number	Performance in General
3	Fair. Few candidates failed to include carriage inwards as a component of the cost of direct materials consumed in part (a). In part (b), many candidates had only a limited understanding of prime cost and hence wrongly included production overheads and work in progress inventories in the calculation of this cost. Quite a number did not distinguish cost of goods manufactured in part (c) from cost of goods sold in part (d) and they incorrectly included finished goods inventories in the computation of cost of goods manufactured.
4 (a)	Good. Only a small number of candidates did not identify all the variable costs and hence failed to compute the correct contribution margin. While some computed the total contribution margin instead of the contribution margin per pair of shoes, others just worked out the contribution margin ratio as the answer.
(b)	Fair. Quite a number of candidates did not include both the fixed costs and targeted profit in the calculation of the amount of sales revenue. Some candidates managed to work out the correct quantity of shoes but failed to convert this quantity into sales dollars when presenting the answer.
(c)	Fair. Most candidates worked out the total sales amounts for the two scenarios mentioned in the question. However, some did not consider the drop in sales quantity when computing the total variable costs and so gave incorrect profits and made wrong decisions.

#### Section B

Question Number	Performance in General
5 (a)	Good. Many candidates lost marks for not giving proper descriptions of the postings in the realisation account. Some did not adopt the account names as given in the question, for example, accounts receivables was adopted instead of trade receivables (given). Many candidates did not know how to record the transaction relating to the taking over of the inventory by Tim to settle 60% of his loan to the company.
(b)	Poor. Many candidates did not work out the correct amounts of deficiency to be borne by the two partners, Ron and Tim, and most of them did not show the ratio for the share of deficiency. Not many candidates computed the correct amounts of final settlement for Ron and Tim.
6 (a)	Satisfactory. Candidates were generally weak in writing the proper account names for the journal entries, for example, electricity bill was used instead of electricity. While some candidates tended to record any differences between the debit and the credit entries in the suspense account, others just ignored the debit entry that should be made in the suspense account when correcting the discounts received which had been wrongly credited to purchases in item (v).
(b)	Fair. Not many candidates stated correctly the three types of accounting errors made in items (i), (ii) and (iii).
(c)	Good. Most candidates identified the accounting principle or concept that had been violated in item (vi), though some of the explanations were not appropriate. Quite a number of candidates stated the correct definition but failed to apply the accounting principle or concept to the scenario mentioned in the question.
7 (a) (i)	Good. Most candidates worked out the total number of direct labour hours, which is the basis for production overheads allocation.
(ii)	Good. Most candidates were able to compute the total production cost per box of cupcakes. Some provided the total production cost for all the cupcakes rather than just for one box.

Question Number	Performance in General
7 (b)	Fair. Only a few candidates were able to compare the cost of purchasing from the local supplier and the cost of production in an accurate manner. A majority of candidates included an irrelevant cost, depreciation, in the calculation of the total fixed production costs.
(c) (i)	Satisfactory. Some candidates wrongly gave the contributions of each of the three products as the answer instead of the contribution per direct labour hour for each of the three products as required in the question.
(ii)	Satisfactory. Many candidates correctly calculate the annual production quantity for each of the three products, but some did not answer this part of the question.

### Section C

Question Number	Popularity	Performance in General
8 (a)	65%	Good. Most candidates identified the major cost components of the new office equipment. However, some candidates prepared a formula or a ledger account instead of a statement.
(b)		Fair. Most candidates presented the financial statements in the proper format, though some of the figures in the statements were not correct. Some candidates treated the reduction in value of the damaged inventory as an expense in the income statement instead of part of the cost of goods sold. Some candidates overlooked the company's accounting policy and failed to classify depreciation expenses and loss on the disposal of office equipment as administrative expenses. Few worked out the correct amount for administrative expenses. While most candidates did not give the correct amount of accumulated depreciation, others wrongly classified bank overdrafts as a current asset in the statement of financial position.
(c)		Fair. Most candidates stated the correct accounting principle or concept for item (vi). However, some candidates lost marks for incorrect spelling. Quite a number failed to relate the accounting principle or concept to the scenario mentioned in the question.
9 (a)	35%	Good. Most candidates identified the relevant accounting principle or concept that had been violated in item (ii). However, many did not state that the unpaid electricity should be recorded as an expense in the financial statements for 2014.
(b)		Poor. Many candidates did not give the correct amount of closing inventory. As for current assets at 31 December 2014, some did not give the amount of current assets at 1 January 2014, while others failed to include the changes in current assets in the calculation.
(c)		Poor. Some candidates were not familiar with the formulae for the various financial ratios in this question, while others did not include the relevant figures for the computation. The accrued electricity was often ignored by candidates when computing the net profit ratio and the quick ratio. Candidates are reminded that average figures should be adopted in the denominators for the trade payables turnover and inventory turnover.

Question Number	Popularity	Performance in General
9 (d)		Good. Most candidates were able to state the correct choice. However, many of them were not able to explain why Lily Ltd is a better investment based on the three ratios given in the question.

#### General comments and suggestions

Candidates are reminded to read the questions carefully and present their answers in a tidy manner with good layout and legible writing. Abbreviations must not be used in accounting entries, especially financial statements. Unless otherwise specified, narrations should be included in journal entries. Candidates should show workings in their answers, so that they can gain some step marks even if the final answers are wrong.

#### Paper 2B (Business Management Module)

##### Section A

Question Number	Performance in General
1	Satisfactory. Most candidates were able to explain the limitations of using budgetary control to assess the performance of a sales department correctly.
2	Very good. Many candidates were able to identify different risk management strategies correctly. However, a few candidates failed to tailor their answers specifically to a convenience store dealing with shoplifting.
3	Good. Most candidates were able to suggest benefits to a company of providing orientation programmes to new employees. However, some of them only gave the benefits to employees ignoring the benefits to the company.
4	Fair. Quite a lot of candidates were able to give examples of “input” and “output” in Adams’ Equity Theory, but failed to explain their meaning accurately.
5	Fair. Most candidates were able to list some common ordinances. However, many candidates did not name the ordinances correctly and some others emphasized consumers’ rights.

##### Section B

Question Number	Performance in General
6 (a)	Good. Most candidates suggested how to tighten credit to retailers based on two elements of credit policy.
(b)	Satisfactory. Many candidates were able to state ways to stimulate sales in Lucky’s own retail stores based on three elements of the promotion mix. A minority did not explain the methods clearly and some others mixed up the concepts of marketing mix and promotion mix.
(c)	Satisfactory. Many candidates correctly described two relevant assumptions of Theory X and Theory Y but quite a number did not explain clearly, with reference to those assumptions, why strict control over the salespeople would make them work hard.
(d)	Fair. Most candidates were only able to suggest different non-monetary rewards to Lucky’s salespeople. Some of them mixed up the concepts of monetary rewards and non-monetary rewards.

Question Number	Performance in General	
7	(a)	Satisfactory. Part (i) was generally well-answered whereas candidates' performance in part (ii) was only fair. The candidates' reasons for the change in total asset turnover were mostly based on mathematical calculations rather than the business context specified in the case scenario.
	(b)	Satisfactory. Most candidates were able to state the characteristics of services. However, some mixed up the meaning of some characteristics and thus the applications were wrongly illustrated.
	(c)	Satisfactory. Quite a number of candidates were able to focus on the job characteristics of beauty consultants and explain the limitations of interview.
	(d)	Fair. Many candidates provided correct product and pricing strategies but failed to justify their suggestions by referring to the characteristics of the growth stage. Some misunderstood the requirements of the question and gave suggestions referring to another stage of the product life cycle.

### Section C

Question Number	Popularity	Performance in General
8	(a)	40%
	(a)	Satisfactory. Most candidates were able to identify and explain the steps of the manpower planning process. However, some candidates were confused about the steps and gave repetitious and unclear elaborations. Some candidates included various corresponding actions before identifying the shortfall of manpower. In addition, some candidates failed to link the explanation to the context of a retail chain.
	(b)	Fair. Most candidates failed to demonstrate a good understanding of the criteria for assessing whether equity and debt financing should be used for the retail chain. While some candidates were able to give the criteria, they were not able to explain the concepts clearly and mixed up equity financing and debt financing. A few candidates used the wrong approach, for example, applying the "5Cs" in answering the question.
9	(a)	60%
	(a)	Satisfactory. Many candidates were able to state the bases of market segmentation that can be used by a hotel in Hong Kong for its banquet service. However, most of them did not illustrate their answer with appropriate examples.
	(b)	Poor. Most candidates failed to demonstrate their understanding of the factors to be considered when determining the target market for the banquet service. Also, some candidates merely described the factors without specifically linking their elaboration to the target market for the service. Others wrongly answered market coverage strategies such as differentiated marketing and undifferentiated marketing.

#### General comments and suggestions

Candidates are strongly advised to read questions carefully before attempting them so that the requirements are fully understood. More training is needed to strengthen the reading skill and enhance candidates' understanding of the intended meaning of questions.

It was also found that candidates were weak in applying concepts to specified contexts or situations. They tended to reproduce what they had memorised from textbooks instead of tailoring their answers to the specified context or conditions. Candidates should be encouraged to understand how the same concept may apply to different contexts so that their sensitivity to these concepts can be improved.

