

# 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.

## General Notes on Marking

1. Teachers are strongly advised to conduct their own internal standardisation procedures using the marking scheme before the actual marking begins. After standardisation, teachers should adhere to the marking scheme to ensure a uniform standard of marking within the school.
2. The marking scheme may not exhaust all possible answers for each question. Teachers should exercise their professional discretion and judgment in accepting alternative answers that are not in the marking scheme, but are correct and well-reasoned.
3. In questions asking for a specified number of reasons or examples etc., and a student gives more than the required number, the extra answers should not be marked. For instance, in a question asking students to provide two examples, and a student gives three answers, only the first two should be marked.
4. The general guidelines for points which are awarded 0 to 3 marks each are as follows:
  - 0 mark : irrelevant or ambiguous answers
  - 1 mark : relevant phrases containing key words that answer the question
  - 2 / 3 marks : a relevant point or answer with a brief explanation of the concept/key words and/or illustration of how it is related to the given scenario

## PAPER 1

### SECTION A (60 marks)

Question No.	Key	Question No.	Key
1.	A (42%)	16.	B (50%)
2.	D (59%)	17.	C (41%)
3.	B (66%)	18.	C (75%)
4.	D (81%)	19.	B (74%)
5.	A (79%)	20.	A (61%)
6.	C (62%)	21.	C (76%)
7.	C (85%)	22.	A (80%)
8.	B (85%)	23.	D (33%)
9.	A (70%)	24.	B (71%)
10.	D (56%)	25.	D (60%)
11.	A (53%)	26.	C (28%)
12.	C (56%)	27.	D (66%)
13.	B (88%)	28.	A (76%)
14.	D (58%)	29.	C (76%)
15.	B (51%)	30.	B (63%)

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

**SECTION B PART 1 (20 marks)**

**QUESTION 1**

Journal			Marks
	Dr	Cr	
	\$	\$	
(a)	500		
Drawings			1
Purchases		500	1
(b) - business entity concept			1
- a firm and its owner(s) are separate entities			Max. 2
Takeover of business's inventory by the owner should be recorded in the			
- drawings account so as to decrease the capital amount			
- purchases account so as to avoid overstating the cost of goods sold			
(1 mark for each relevant elaboration, max. 2 marks)			

5 marks

**QUESTION 2**

- |   |            |
|---|------------|
| (a) Its share price will increase because                         | Marks<br>1 |
| - personal income increases                                       |            |
| - people are more willing to buy/invest in property               |            |
| - the profitability of the property development company increases | Max. 2     |
| (1 mark for each relevant elaboration, max. 2 marks)              |            |
| (b) Ways:   | Max. 4     |
| - assess the general performance of shares listed in Hong Kong    |            |
| - compare performance of the Hong Kong stock market over time     |            |
| - compare performance among different stock markets               |            |
| (2 marks for each relevant way, max. 4 marks)                     |            |

7 marks

**QUESTION 3**

- |  |                 |
|--|-----------------|
| (a) Reasons:   | Marks<br>Max. 4 |
| - expansion of the chain in Hong Kong at a lower cost  |                 |
| - stable income: receive franchise fees regularly and share franchisees' profits                         |                 |
| - easy access to the Hong Kong market: franchisees are more familiar with the local business environment |                 |
| (2 marks for each relevant reason, max. 4 marks)   |                 |
| (b) Legal factors:   | Max. 2          |
| - regulations related to restaurant licensing: e.g. Fire Services Ordinance/Building Ordinance           |                 |
| - other ordinances: e.g. the Minimum Wage Ordinance, the Employment Ordinance, etc.                      |                 |
| (2 marks for each relevant legal factor, max. 2 marks)   |                 |
| Cultural factors:  |                 |
| - tastes and preferences of the target customers in Hong Kong  |                 |
| - demographic structure/ population structure of Hong Kong: e.g. age, gender, race, etc.                 | Max. 2          |
| (2 marks for each relevant cultural factor, max. 2 marks)  |                 |

8 marks

## QUESTION 4

	Marks
(a) (i) Gross profit ratio = $\frac{\$40\,000}{\$100\,000} \times 100\% = 40\%$	1
(ii) Net profit ratio = $\frac{\$10\,000}{\$100\,000} \times 100\% = 10\%$	1
(iii) Return on capital employed = $\frac{\$10\,000}{(\$30\,000 + \$37\,000)/2} \times 100\% = 29.85\%$	1
(b) John's supermarket:	
- has higher gross profit ratio but lower net profit ratio	1
- is poor in controlling expenses / administrative arrangements	1
(c) (i) Management by Objectives:	
- the superiors and the subordinates set the firm's objectives together	1
(ii) Advantages:	Max. 2
- subordinates are more committed as they have better understanding of the firm's objectives	
- facilitates control on subordinates' progress	
(2 marks for each relevant advantage, max. 2 marks)	
Disadvantages	Max. 2
- time-consuming	
- increased workloads of superiors and subordinates	
(2 marks for each relevant disadvantage, max. 2 marks)	

10 marks

## QUESTION 5

	Marks
(a) (i) Working capital = $\$40\,000 - \$30\,000 = \$10\,000$	1
(ii) Current ratio = $\frac{\$40\,000}{\$30\,000} = 1.33 : 1$	1
(iii) Liquid ratio = $\frac{\$6000}{\$30\,000} = 0.20 : 1$	1
(b) - The liquidity of John's supermarket is poor due to the low current ratio and liquid ratio	1
- it has difficulty in meeting its immediate debts	Max. 1
- its current assets are tied up in inventory	
(1 mark for each relevant point, max. 1 mark)	
(c) (i) Controlling:	
- ensures that activities are in line with the plan	1
(ii) Step 1: set performance standards	Max. 4
Step 2: measure actual performance	
Step 3: compare actual performance with the standards	
Step 4: take corrective actions	
(1 mark for each correct step in sequence, max. 4 marks)	

10 marks

END OF PAPER 1

**PAPER 2A**  
**Accounting Module**

**SECTION A (24 marks)**  
**QUESTION 1**

Marks

PQR Limited

Trial balance as at 31 December 2015

(a)

	Dr	Cr	
	\$	\$	
Equipment, at cost	1 922 000		0.5
Accumulated depreciation - equipment		218 000	0.5
Inventory	155 070		0.5
Unearned revenue		240 400	0.5
Retained profits		429 930	0.5
Share capital		1 650 000	0.5
Trade receivables	461 260		0.5
	2 538 330	2 538 330	0.5

(4)

(b) Limitations of a trial balance:

1

- Even if a trial balance is agreed, errors and omissions may still exist in the accounting records.
- A trial balance is not able to detect all errors or omissions in the accounting records.

(1 mark for each relevant limitation, max 1 mark)

5 marks

**QUESTION 2**

Marks

Transactions		Debit entry to be recorded		Credit entry to be recorded	
		Account	Ledger	Account	Ledger
(a)	Office rent paid by cheque	(1) Rental expense	(2) General ledger	(3) Bank	(4) Cash book
(b)	Goods purchased on credit	(5) Purchases	(6) General ledger	(7) Trade payables	(8) Purchases ledger
(c)	Bank loan acquired	(9) Bank	(10) Cash book	(11) Bank loan	(12) General ledger
(d)	Goods returned by credit customers	(13) Returns inwards	(14) General ledger	(15) Trade receivables	(16) Sales ledger
(e)	Interest income accrued	(17) Interest receivable	(18) General ledger	(19) Interest income	(20) General ledger

(0.5 mark for any two correct answers, max 5 marks)

5 marks

### QUESTION 3

- (a) Predetermined manufacturing overhead absorption rate:  $(\$450\,000/50\,000) + \$6$   
= \$15 per machine hour Marks
- (b) 

Manufacturing overheads absorbed ( $\$15 \times 48\,000$ )	\$
Actual manufacturing overheads	720 000
Over-absorbed manufacturing overheads	<u>717 000</u>
	<u>3 000</u>

2
- (c) - Over-absorbed manufacturing overheads should be credited to the profit and loss account to reduce cost of goods sold. 2
- This would increase the net profit of 2015. 1
- (d) - electricity / fuel and power / lubricants / depreciation of factory machinery 1

7 marks

### QUESTION 4

- (a) It assumes that Marks
- an entity will continue its operation in the foreseeable future. 1
  - the entity has neither the intention nor the need to liquidate or reduce its scale of operation significantly. 1
- (b) - The non-current assets would be valued at their net realisable value / liquidation value. 1
- (c) - The historical cost concept has been violated. 2
- It states that assets should be recorded at their purchase cost.
- (d)  $(\$450\,000 \times 1\%) + (\$180\,000 - \$20\,000) \times 3\% + (\$60\,000 \times 10\%)$  2
- = \$4500 + \$4800 + \$6000
- = \$15 300

7 marks

**SECTION B (36 marks)**

**QUESTION 5**

**Marks**

(a) (i)

		Revaluation account		
		\$		\$
0.5	Inventory	133 400	Property	1 238 000
0.5	Allowance for doubtful debts	2 300		
0.5	Cash – Professional fees	26 200		
	Gain on revaluation:			
0.5	Capital – Chu (3/5)	645 660		
	Capital – Yam (2/5)	430 440		
		1 238 000		1 238 000

(ii)

		Capital accounts							
		Chu	Yam	Mak		Chu	Yam	Mak	
		\$	\$	\$		\$	\$	\$	
1	Goodwill	75 000	50 000	25 000	Balance b/d	705 000	45 000	-	0.5
0.5	Cash	765 660	-	-	Revaluation	645 660	430 440	-	0.5
1	Balance c/d	600 000	525 000	375 000	Goodwill	90 000	60 000	-	1
					Cash	-	39 560	400 000	1
		1 440 660	575 000	400 000		1 440 660	575 000	400 000	

(8)

(b) Factors affecting the value of goodwill:

Max.2

- reputation
- quality of goods and services
- quality of employees and management
- customer loyalty
- relationship with suppliers
- geographical location

(1 mark for each relevant factor, max 2 marks)

10 marks

**QUESTION 6**

**Marks**

		Motor vehicles account		
		\$		
0.5	Balance b/d	1 200 000	Disposal of motor vehicles – March	\$ 120 000
			Disposal of motor vehicles – April (\$28 000 × 8)	224 000
			Balance c/d	856 000
		1 200 000		1 200 000

		Accumulated depreciation account – motor vehicles		
		\$		
0.5	Disposal of motor vehicles – March (\$15 000 + \$1250 × 2)	17 500	Balance b/d	\$ 150 000
0.5	Disposal of motor vehicles – April (\$28 000 + \$28 000 ÷ 4)	35 000	Depreciation expense – 2015 (workings 1)	116 500
0.5	Balance c/d	214 000		
		266 500		266 500

Workings 1: Depreciation expense for 2015:

– For motor vehicle disposed in March (\$120 000 × 0.125 × 2/12)	\$ 2 500
– For motor vehicle disposed in April (\$28 000 × 3/12)	7 000
– For the remaining motor vehicles (\$1 200 000 - \$120 000 - \$224 000)/8	107 000
	116 500

		Disposal account - motor vehicles		
		\$		
0.5	Motor vehicles	120 000	Accumulated depreciation – March	\$ 17 500
0.5	Motor vehicles	224 000	Accumulated depreciation – April	35 000
			Cash – March (workings 2)	114 900
			Insurance receivable (workings 3)	151 200
			Loss on disposal	25 400
		344 000		344 000

Workings 2: Cash received = Net book value + Gain on disposal = (\$120 000 - \$17 500) + \$12 400 = \$114 900

Workings 3: Insurance compensation = 80% of net book value as at 1 April 2015  
= (\$224 000 - \$35 000) × 0.8 = \$151 200

		Journal		
2016		Dr	Cr	
January 1		\$	\$	
	Motor vehicles (\$240 000 + \$20 000)	260 000		1
	Licence fee	4 000		0.5
	Cash at bank		264 000	0.5
				(2)
				12 marks

**QUESTION 7**

**Marks**

**Anson Company**

**Income statement for the year ended 31 December 2015**

(a)

	\$	
Sales (\$60 x 9000)	540 000	0.5
Less: variable costs [\$35(workings) x 9000]	<u>(315 000)</u>	2.5
Contribution (\$25 x 9000)	225 000	0.5
Fixed manufacturing overheads	(40 000)	0.5
Fixed selling expenses	<u>(128 000)</u>	0.5
Net profit	<u>57 000</u>	0.5
		(5)

	\$
Workings:	
Direct materials	18
Direct labour	12
Variable manufacturing overheads (\$6 - \$40 000/10 000)	2
Sales commission	<u>3</u>
Total variable costs per unit	<u>35</u>

- (b)(i) The value of closing inventory under marginal costing system ( $\$32 \times 1000$ ) = \$32 000 1  
 The value of closing inventory under absorption costing system ( $\$36 \times 1000$ ) = \$36 000 1  
(2)
- (b) (ii) – Under marginal costing system, fixed manufacturing overheads are expensed in full as period costs. 1  
 – Under absorption costing system, a portion of the fixed manufacturing overheads is added to product cost at the rate of \$4 per unit ( $\$40\,000 \div 10\,000$  units produced). 1  
(2)
- (c) – The net profits reported under the absorption costing system would be \$4000 higher than those of the marginal costing system. (2)

(d)

	\$ / unit	
Cost of purchase	(5.7)	
Direct materials saved	4.5	
Direct labour saved (\$12 x 0.1)	1.2	
Variable manufacturing overhead saved	<u>0.2</u>	
Total cost savings (purchase)	<u>0.2</u>	2.5

- Cost savings of purchasing instead of manufacturing are \$0.2 per unit.  
 – Therefore, the company should purchase the component from the supplier. 0.5  
(3)

14 marks



## QUESTION 8

Marks

		Journal		
		Dr	Cr	
		\$	\$	
(i)	Short-term loan			
	Delivery vans (\$480 000 - \$456 000)	24 000		0.5
	Accumulated depreciation – delivery vans		24 000	0.5
	Retained profits [ $\$10\,000 - (\$456\,000 \div 4 \div 12)$ ]	500		0.5
	Retained profits ( $\$480\,000 - \$456\,000) \div 5$		500	0.5
	Interest payable	4 800		0.5
			4 800	0.5
(ii)	Retained profits [ $\$32\,250 - (\$22\,200 - \$2600)$ ]			
	Inventory	12 650		0.5
			12 650	0.5
(iii)	Retained profits			
	Trade receivables	15 000		0.5
			15 000	0.5
	Inventory ( $\$15\,000 \times 4/5$ )	12 000		0.5
	Retained profits		12 000	0.5
(iv)	Trade receivables			
	Deposits from customers	3 000		0.5
			3 000	0.5
	Allowance for doubtful debts [ $\$10\,000 - (\$503\,000 - \$15\,000) \times 2\%$ ]	240		0.5
	Retained profits		240	0.5
(v)	Cash at bank			
	Trade payables	11 800		0.5
			11 800	0.5
				(9)

**QUESTION 8 (Cont'd)**

**Marks**

(b)

**Gary Company Limited**  
**Statement of financial position as at 31 December 2015**

	\$	\$	\$	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Office equipment, net (\$840 000 - \$210 000)			630 000	0.5
Delivery vans, net (\$480 000 - \$24 000) - (\$10 000 - \$500)			<u>446 500</u>	1
			<u>1 076 500</u>	
<b>Current assets</b>				
Inventory (\$645 000 - \$12 650 + \$12 000)		644 350		1
Trade receivables (\$503 000 - \$15 000)	488 000			1
Less: Allowance for doubtful debts (\$10 000 - \$240)	<u>(9 760)</u>	478 240		0.5
Cash at bank (\$154 400 + \$11 800)		<u>166 200</u>		0.5
			<u>1 288 790</u>	
<b>Total assets</b>			<u><u>2 365 290</u></u>	
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Ordinary share capital			1 000 000	0.5
Retained profits ( workings )			<u>235 290</u>	1.5
			<u>1 235 290</u>	
<b>Non-current liabilities</b>				
Long-term bank loan			200 000	0.5
<b>Current liabilities</b>				
Trade payables (\$454 400 + \$ 11 800)		466 200		0.5
Short-term loan (\$480 000 - \$24 000)		456 000		0.5
Interest payable		4 800		0.5
Deposits from customers		<u>3 000</u>		0.5
			<u>930 000</u>	
<b>Total equity and liabilities</b>			<u><u>2 365 290</u></u>	(9)
<b>Workings</b>				
Retained earnings before adjustments		\$	255 000	
Depreciation expense overstated	(i)		500	
Interest expense omitted	(i)		(4 800)	
Inventory written down	(ii)		(12 650)	
Sales revenue overstated	(iii)		(15 000)	
Closing inventory understated	(iii)		12 000	
Allowance for doubtful debts overstated	(iv)		240	
Adjusted retained earnings			<u><u>235 290</u></u>	

- (c) – Acid test ratio of the company will decrease. 1
- Part of the bank loan will become short-term obligation, which will have to be settled within the next financial year. Max. 1
- Since total current liabilities will increase, the liquidity of the company will deteriorate.

(2)  
20 marks

**QUESTION 9**

(a) (i)

**Marks**

**HK Company**  
**Income statement for the year ended 31 December 2015**

Sales revenue (workings 1)	\$	\$	
Less: <u>Cost of goods sold</u>		2 291 760	1
Purchases (workings 2)			
Less: Closing inventory ( $\$45 \times 8000 + \$25 \times 720$ ) - \$4320	1 107 420		1
	<u>373 680</u>		1.5
Less: Destroyed inventory	733 740		
Gross profit	4 320	729 420	0.5
		<u>1 562 340</u>	
Less: <u>Expenses</u>			
Loss on destroyed inventory ( $\$4320 \times 20\%$ )	864		1
Office rent [ $(\$792\,300 - \$5800) \times 12/13$ ]	726 000		1.5
Salaries ( $\$700\,900 + \$44\,750$ )	745 650		1
Loan interest expenses ( $\$300\,000 \times 4\% \times 4/12$ )	4 000		1
Depreciation expenses ( $\$76\,000 \times 40\%$ )	30 400	1 506 914	1
Net profit		<u>55 426</u>	0.5
			(10)

(Workings 1)

Trade receivables			
	\$		\$
Sales (balancing figure)	2 291 760	Cash at bank	2 125 520
		( $\$2\,104\,000 + \$21\,520$ )	
		Balance c/d	166 240
	<u>2 291 760</u>		<u>2 291 760</u>

(Workings 2)

Trade payables			
	\$		\$
Cash at bank	965 050	Purchases (balancing figure)	1 107 420
( $\$950\,250 + \$14\,800$ )			
Balance c/d	142 370		
	<u>1 107 420</u>		<u>1 107 420</u>

**QUESTION 9 (Cont'd)**

**Marks**

(a)(ii)

**Statement showing the working capital as at 31 December 2015**

	\$	\$	
<u>Current assets</u>	373 680		
Inventory	166 240		0.5
Trade receivables	66 300		0.5
Prepaid rent (\$60 500 + \$5800)	3 456		0.5
Insurance receivable (\$4320 x 80%)	878 870		0.5
Cash at bank (\$872 150 + \$21 520 - \$14 800)	<u>878 870</u>		1
<b>Total current assets</b>		<b>1 488 546</b>	
<u>Less: Current liabilities</u>			
Trade payables	142 370		0.5
Accrued interest	4 000	}	
Accrued salaries	44 750		0.5
Deposits received from customers	22 400		0.5
4% Bank loan	<u>300 000</u>		0.5
<b>Total current liabilities</b>		<b>513 520</b>	
<b>Working capital</b>		<b><u>975 026</u></b>	<b>1</b>

(6)

(b) Working capital situation of the company:

- sufficient current assets to cover current liabilities
- poor cash management/huge balance in cash at bank/large amount of idle deposit
- may invest the excess cash to get higher return/may repay the bank loan earlier to avoid interest charges

Max. 2

(1 mark for each relevant point, max 2 marks)

(2)

(c) Total assets turnover = Sales/ Total assets

$$= \frac{\$2\,291\,760}{[\$1\,488\,546 + (\$76\,000 - \$30\,400)]} = \frac{\$2\,291\,760}{\$1\,534\,146}$$

$$= 1.49 \text{ times}$$

(2)

20 marks

**END OF PAPER 2A**

SECTION A (24 marks)

QUESTION 1

Limitations:

- only reflects quantitative information
  - difficult to make comparison: e.g. different accounting policies or standards are used by different companies
  - reflects the phenomenon/problem without explaining the causes
- (2 marks for each relevant limitation, max. 4 marks)

Marks

4

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4 marks

QUESTION 2

Factors:

- recognition: e.g. appoint the designers to take part in designing competition
  - responsibility: e.g. empowerment, job autonomy, involvement in decision making
  - personal growth: e.g. provide workshops or seminars on creativity or latest fashion trends
  - work itself: e.g. assign challenging work
  - achievement: e.g. success in designing a new product line
  - advancement/promotion: e.g. promote to senior designers
- (2 marks for each relevant factor, max. 4 marks)

Marks

4

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4 marks

QUESTION 3

Advantages:

- saves distribution costs: e.g. reduce commission to intermediaries
  - better customer support: e.g. better product knowledge/tailor-made products for customers
  - better control on the sales of products: e.g. can decide how products are displayed and promoted/exercises better control on the quality and price of the products
  - avoids using intermediaries of competitors
  - easy access to customers with its own sales channels: e.g. better understanding of customers' needs; directly obtaining feedback from customers, cross-selling, etc.
- (2 marks for each relevant advantage, max. 6 marks)

Marks

6

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6 marks

QUESTION 4

Objectives:

- evaluates salespeople's performance to make personnel decisions: e.g. promotion, transfer and salary adjustment
  - identifies training needs of the salespeople: e.g. enhance product knowledge and communication skills
  - aligns salespeople with company objectives: e.g. improve their understanding on the performance standards and company's overall objectives
- (2 marks for each relevant objective, max. 4 marks)

Marks

4

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4 marks

**QUESTION 5**

**Marks**

- (a) Purposes:
- planning: provide directions for formulating plans to achieve company's goals
  - organising: facilitate resources allocation and cooperation among departments
  - leading: provide quantitative and specific targets for employees
  - controlling: serve as standards for performance management
- (2 marks for each relevant purpose, max. 4 marks)
- (b) Causes:
- actual selling price is higher than budgeted
  - actual sales volume is higher than budgeted
  - product mix: the actual sales are higher than the budgeted sales when a higher proportion of products with higher price are sold
- (1 mark for each relevant cause, max 2 marks)

4

2

6 marks

**SECTION B (36 marks)**

**QUESTION 6**

**Marks**

- (a) (i) Economic Order Quantity (EOQ):

$$\sqrt{\frac{2 \times 500 \times \$5625}{\$10}} \quad \text{Or} \quad \sqrt{\frac{2 \times (500 \times 12) \times \$5625}{\$10 \times 12}}$$

= 750 boxes

- (ii) - ordering cost
- lower order frequency, from 10 times to 8 times in a year

- (b) Ways:
- delay payments
  - obtain short-term loan: e.g. bank overdraft
  - match the timing and amount of cash inflows and cash outflows
- (2 marks for each relevant way, max. 4 marks)

- (c) Reasons:
- consider all cash flows beyond the payback period
  - take into consideration the time value of money
  - can assess the net worth of the project
- (2 marks for each relevant reason, max. 4 marks)

- (d) Problems:
- system security and breakdown: e.g. hacking
  - human resources issue: e.g. manpower allocation and training
  - difficult to gain acceptance from existing customers/attract new customers
  - operational problems: e.g. pressure on inventory management, stockout risk, etc.
- (2 marks for each relevant problem, max. 6 marks)

18 marks

**QUESTION 7**

	<b>Marks</b>
(a) (i) Data are readily available / data collected for some other purposes	1
(ii) – the data may be outdated – as the data were not collected for the intended purposes, they may not satisfy the needs of the users – accuracy of the data is in doubt (1 mark for each relevant point, max. 2 marks)	2
(b) Evidence: – increased competition – slowdown in sales growth – price competition is popular – some weaker competitors have been driven out of the market (1 mark for each relevant evidence, max. 3 marks)	3
(c) Off-the-job training methods: – lecturing: e.g. enhance product knowledge – programmed learning: e.g. learn the sales procedure through books, computers or video recordings – role play: e.g. learn communication skills – case study: e.g. learn how to handle customers' objections – simulated training: e.g. learn the operation of the dishwashing machine through equipment simulation for effective sales presentation (2 marks for each relevant training method, max. 6 marks)	6
(d) (i) Reasons: – the loss is too trivial or frequent – administrative cost incurred by the insurance company is higher than the premium (2 marks for each relevant reason, max. 2 marks)	2
(ii) Risk management strategies: – risk assumption: e.g. bear the loss of the damaging of dishware – risk reduction: e.g. provide training to workers to reduce the chance of damaging (2 marks for each relevant strategy, max. 4 marks)	4

18 marks

**SECTION C (20 marks)**

**QUESTION 8**

**Marks**

**8**

- (a) **Advantages:**
- enhances the morale and motivation of the employees: e.g. makes them work harder to compete for promotion chances; promoted employees can get higher job satisfaction
  - saves time and cost: e.g. by providing a simplified recruitment process; by making use of readily available employees' record
  - easier adaption for the promoted employees: e.g. they are familiar with the working environment and culture of the chain
  - better understanding of candidates: e.g. the chain knows the background, strengths and weaknesses of current employees from their past performance
- (2 marks for each relevant advantage, max. 8 marks)

**12**

- (b) **Support measures:**
- staffing and placement: e.g. assign jobs and duties according to staff's abilities
  - training: e.g. tailor-made training programmes to facilitate staff's adaptation, learning and practice
  - performance appraisal: e.g. give more frequent feedback, set realistic performance standards
  - compensation and benefit management: e.g. provide special allowances, ensure an equitable compensation system to maintain their positive working attitude
  - managing relations and motivation: e.g. be sensitive to their needs and feelings, avoid discrimination, enhance their self-image
- (3 marks for each relevant support measure, max. 12 marks)

**20 marks**



## QUESTION 9

Marks

- (a) Factors:
- marketing objectives: e.g. survival, profit maximisation, capture of market share or image of high quality
  - other marketing mix strategies: e.g. match the objectives of its product, place and promotion strategies
  - cost of the products: e.g. the price should be high enough to cover the total cost of the product
  - nature of the market: e.g. higher price in markets with less competition
  - affordability of the market: e.g. higher price if the purchasing power of target customers is high
  - customers' perception: e.g. customers' perception of the value of the products, whether the product is unique in comparison to others
  - competitors' strategies: e.g. similar or even more attractive pricing strategy than competitors' to capture sales
- (2 marks for each factor, max. 8 marks)

8

- (b) Steps:
1. need recognition/stimulus: e.g. handset broken or attracted by new functions
  2. information search: e.g. from personal sources (e.g. friends, relatives, etc.), commercial sources (e.g. websites, magazines, etc.) or public sources (e.g. Consumer Council, consumer ratings, etc.)
  3. formulation and evaluation of alternatives: e.g. choose several models of suitable handset, set selection criteria, compare the features, price and quality of different models
  4. purchase decision: e.g. decide on the handset model to purchase based on the evaluation result
  5. post-purchase behavior: e.g. evaluate the performance of the handset to see whether it meets customers' expectations
- (3 marks for each relevant step in correct sequence, max. 12 marks)

12

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20 marks

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**END OF PAPER 2B**