

## Candidates' Performance

8 979 candidates sat the Business, Accounting and Financial Studies examination this year: 6 404 candidates chose the Accounting Module and the remaining 2 575 chose the Business Management Module. Approximately 54% of candidates sat the English papers.

### Paper 1

#### Section A

There were 30 multiple-choice questions in this section. The mean mark was 33 out of 60 marks.

The percentage correct was lower in the following questions:

Question Number	Question and Performance in General
2	<p>Which of the following statements about authority and responsibility is/are correct?</p> <p>(1) Delegation is the assigning of authority and responsibility to the subordinates.                      (2) Front-line managers require authority to carry out their responsibilities.                      (3) Managers with a wider span of control possess more authority.</p> <p>A. (1) only (13%)                      B. (1) and (2) only (23%)*                      C. (2) and (3) only (18%)                      D. (1), (2) and (3) (46%)</p> <p><b>Many candidates mistakenly assumed that the number of subordinates supervised by a manager was proportional to the amount of authority the manager possessed and hence included (3) in the answer.</b></p>
3	<p>Which of the following is/are major function(s) of accounting?</p> <p>(1) classifying transactions according to their profitability                      (2) communicating the financial performance of the business to the stakeholders                      (3) summarising all information of the business for users' decision-making</p> <p>A. (1) only (6%)                      B. (2) only (23%)*                      C. (1) and (2) only (15%)                      D. (2) and (3) only (56%)</p> <p><b>Accounting only summarises financial information, but not 'all information' for users' decision-making.</b></p>
10	<p>Which of the following transactions will lead to the same effect to the assets and capital in the accounting equation?</p> <p>(1) Received rental income by cheque.                      (2) Repaid a bank loan by the owner's personal cheque.                      (3) Paid expenses for the current month in cash.</p> <p>A. (1) only (19%)                      B. (2) only (36%)                      C. (1) and (3) only (35%)*                      D. (1), (2) and (3) (10%)</p> <p><b>Repaying a bank loan by the owner's personal cheque should be regarded as an injection of capital by the owner and the double entry should be debit Bank Loan and credit Capital. The transaction will have an effect on the liabilities and capital, but not on the assets of the firm.</b></p>

Question Number	Question and Performance in General																				
16	<p>Which of the following is a benefit brought about by the 'Closer Economic Partnership Arrangement' (CEPA) to Hong Kong?</p> <p>A. No tariffs are imposed on goods imported from the Mainland to Hong Kong. (52%)            B. There is a free flow of labour between the Mainland and Hong Kong. (19%)            C. Hong Kong service suppliers enjoy preferential treatment when setting up business in the Southeast Asian countries. (7%)            D. Hong Kong professionals may enter the Mainland market by taking the Mainland professional qualification examinations. (22%)*</p> <p><b>As a general economic policy, Hong Kong is a free port and does not impose tariffs on imports. Many candidates mistakenly thought that this was a policy under CEPA and hence chose option A.</b></p>																				
30	<p>Yummy Group is a local restaurant chain which offers Chinese cuisine, Korean cuisine and Japanese cuisine to customers in different restaurants. Its organisation chart is shown as below:</p> <div style="text-align: center;"> <p>Level A</p> <div style="border: 1px solid black; width: 150px; margin: 0 auto; padding: 5px; text-align: center;">General Manager</div> <p>Level B</p> <div style="display: flex; justify-content: space-around; margin: 10px 0;"> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> </div> <p>Level C</p> <div style="display: flex; justify-content: space-around; margin: 10px 0;"> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 0 auto;"></div> </div> </div> <p>The Human Resources Manager has ____ (1) ____ authority over the Operations Manager.</p> <p>Level C is departmentalised by ____ (2) ____.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;"></td> <td style="width: 20%; text-align: center;"><u>(1)</u></td> <td style="width: 20%; text-align: center;"><u>(2)</u></td> <td style="width: 55%;"></td> </tr> <tr> <td>A.</td> <td>staff</td> <td>product</td> <td style="text-align: right;">(19%)*</td> </tr> <tr> <td>B.</td> <td>staff</td> <td>location</td> <td style="text-align: right;">(62%)</td> </tr> <tr> <td>C.</td> <td>line</td> <td>product</td> <td style="text-align: right;">(5%)</td> </tr> <tr> <td>D.</td> <td>line</td> <td>location</td> <td style="text-align: right;">(14%)</td> </tr> </table> <p><b>At level C, the departments are grouped by product: Chinese cuisine, Korean cuisine and Japanese cuisine. Many candidates overlooked the information provided in the first paragraph of the question.</b></p>		<u>(1)</u>	<u>(2)</u>		A.	staff	product	(19%)*	B.	staff	location	(62%)	C.	line	product	(5%)	D.	line	location	(14%)
	<u>(1)</u>	<u>(2)</u>																			
A.	staff	product	(19%)*																		
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**Section B**

**Part 1**

Question Number	Performance in General
1	<p>(a) Fair. Although some candidates were able to state one or two problems, most of them failed to explain the problems with reference to the case context. Many candidates were unclear about the role of Cheerful Dance Studio and gave the problems encountered by a franchisee as answers.</p> <p>(b) Satisfactory. Most candidates were able to give a cultural factor. However, many of them failed to explain the factor in the context of Cheerful Dance Studio. Some candidates simply mentioned the popularity of K-pop dance in Hong Kong without giving a cultural factor.</p> <p>(c) Fair. Many candidates were able to state a benefit but most of them failed to explain how globalisation was beneficial to Cheerful Dance Studio.</p>
2	<p>(a) Good. Most candidates were able to prepare the cash account correctly. However, some candidates mistakenly recorded the initial investment as 'balance b/d' and some others treated 'returns outwards' as 'returns inwards'.</p> <p>(b) Satisfactory. Many candidates were able to present the trial balance correctly. However, some candidates deducted returns outwards from purchases directly and only showed the net purchases amount but not the balances of the two accounts in the trial balance.</p> <p>(c) Poor. Many candidates stated the major function of 'checking accuracy and detecting errors' without mentioning 'bookkeeping/accounting records and entries'. Many candidates overlooked the word 'major' and listed out other ancillary functions such as 'facilitating the preparation of financial statements'.</p>
3	<p>(a) (i) Fair. Many candidates were able to identify 'controlling' as the management function. However, some candidates stated 'planning' and 'organising' as answers.</p> <p>(ii) Poor. Many candidates failed to identify the step performed by the production manager. Even in cases where candidates did identify the step taken by the general manager, most of them failed to give appropriate descriptions.</p> <p>(b)(i) Good. Most candidates were able to identify 'division of work' as the principle of effective management adopted by the production manager. However, some candidates stated 'management by objectives' or 'specialisation' as answers.</p> <p>(ii) Fair. Some candidates were able to list out the appropriate reasons. However, many candidates failed to point out the reasons based on the case scenario.</p>

**Part 2**

Question Number	Popularity	Performance in General	
4	(a) (i)	37%	Satisfactory. Many candidates were able to show the formula for calculating the ratio as well as the workings. However, some of them ignored the requirement of showing the answer to two decimal places. Many candidates failed to deduct 'returns inwards' from 'sales' in the calculation.
	(ii)		Good. Many candidates were able to calculate the return on capital employed correctly and showed the workings clearly. However, some candidates ignored the requirement of showing the answer to two decimal places. Some candidates used closing capital instead of average capital as the denominator in the formula.
	(b)		Poor. Some candidates were able to point out the use of the statement of financial position for assessing liquidity and/or repayment ability of the firm. However, many of them failed to state that the suppliers could decide whether to sell goods to the firm on credit. Some candidates mistakenly assumed that the statement could be used to assess the firm's profitability.
	(c)		Poor. Most candidates failed to elaborate what the Operations Department could do to deal with the problem of the high bacteria level of the bottled juice. Some candidates proposed actions that were not under the functions of the Operations Department, for example, 'refund and apologise to customers'.
5	(a)	63%	Very good. Many candidates were able to prepare the income statement correctly. However, some candidates mistakenly categorised the agency commission revenue as being 'other revenue' or 'sales revenue'. Many candidates used an improper heading, such as using an abbreviation of the date, missing the name of the firm or mistakenly naming the firm as a company, etc. Some candidates did not give proper terms, such as writing 'profit' or 'profit for the year' instead of 'net profit'.
	(b)		Good. Most candidates were able to prepare the statement of financial position correctly. However, some candidates treated the bank loan as a non-current liability without taking note of its repayment due date. Some candidates failed to use subheadings, such as 'financed by' or 'less'.
	(c)		Poor. Many candidates mistakenly stated that the 'interest' instead of the 'interest rate' of a personal loan was lower than that of a bank overdraft. Some candidates mistakenly assumed that the repayment schedule of a personal loan was more flexible than that of a bank overdraft. Although some candidates mentioned the fixed repayment schedule of a personal loan, they were unable to provide the reason for borrowing a personal loan instead of a bank overdraft based on this feature. Additionally, some candidates thought that there was no credit limit for personal loans and hence it would be more convenient to borrow by a personal loan.

**General comments and suggestions**

Candidates' ability to apply knowledge to different scenarios was weak. Most of their answers seemed to comprise a recall of textbook information, some of which was often irrelevant to the questions. Candidates are reminded to read the questions carefully and relate their answers to the case scenario and information provided by the question.

**Paper 2A (Accounting Module)**

**Section A**

Question Number	Performance in General
1	<p>(A) (a) Fair. Many candidates were able to identify the money measurement concept. However, some of them failed to provide an appropriate explanation of this concept, they did not mention that only those transactions that can be quantified in terms of money are recorded in the accounting books of a business.</p> <p>(B) (b) Fair. Many candidates were able to state the relevant accounting principles or measurement bases for situations (i) and (ii). However, quite a number of candidates overlooked the fair value of the photographic equipment and wrongly considered the historical cost of the equipment two years ago as the measurement base in situation (iii).</p>
2	<p>(a) (1) Fair. Some candidates were not familiar with the formula of the price-earnings ratio. Some reversed the numerator and the denominator when computing this ratio. Others presented the answer employing a wrong unit.</p> <p>(2) Satisfactory. Most candidates were able to calculate the total assets turnover.</p> <p>(3) Fair. When calculating the inventory turnover, some candidates failed to find out the amounts of credit purchases and cost of goods sold using the trade payables turnover given in the question.</p> <p>(b) Poor. Most candidates were able to state that the total assets turnover of Tim Limited for year 2022 was lower than the industry average. However, some candidates were not able to comment on the management efficiency of the company in using its total assets to generate sales revenue.</p>
3	<p>(a) Fair. Many candidates were able to calculate the predetermined fixed manufacturing overhead absorption rate. However, some candidates were not able to work out the amount of under-absorption by comparing the actual and absorbed fixed manufacturing overheads.</p> <p>(b) (1) Poor. Many candidates were able to calculate the direct labour cost per unit. However, many candidates failed to use the predetermined fixed manufacturing overhead absorption rate to compute the fixed manufacturing overheads absorbed. Some candidates did not consider the direct material inventory at 31 December 2022 when calculating the direct material cost.</p> <p>(2) Poor. Most candidates were able to prepare the income statement in the proper format. However, many candidates failed to charge the under-absorbed fixed manufacturing overheads to cost of goods sold, or mistakenly deducted it from the gross profit.</p>

**Section B**

Question Number	Popularity	Performance in General
4 (a)	79%	<p>Poor. Many candidates were seemingly unaware that closing entries had been prepared by the business and thus such candidates failed to record the necessary corrections in the capital account for items (i) to (iv).</p> <p>In item (i), many candidates did well in computing the unit cost of the inventory using the weighted average cost method. However, many of them mistakenly credited the amount of inventory adjustment to the profit and loss account or the cost of goods sold account. In item (ii), some candidates were unable to prepare a correct journal entry to record the unearned rental income from January to March 2023. In item (iii), most candidates were able to provide the correct journal entry for accrued water expenses, though some of them used improper account names, such as accrued water bill. In item (iv), many candidates misunderstood the meaning of debit note and confused the accounts receivables and trade receivables accounts. In item (v), though some candidates were able to debit \$4 400 to the cash account and credit \$2 200 to the trade receivables account, many of them failed to credit other payables account with the amount wrongly recorded as a settlement of outstanding amount owed for stationery. In item (vi), some candidates were able to point out that no credit entry was required, but only a few were able to show a debit entry of \$16 000 in the suspense account.</p>
(b)		<p>Poor. Many candidates were unable to clearly differentiate cash accounting and accrual accounting. Most candidates failed to provide a complete explanation of the accrual accounting with reference to item (iii). In addition, they did not point out the year in which the accrued water expenses should be recognised.</p>
5 A(a)(1)	49%	<p>Fair. Many candidates were able to calculate the amount of ordinary share capital issued as well as the amount refunded to unsuccessful applicants. However, some candidates did not use the 'share application and allotment account' opened by the company to record the issuance of shares when preparing journal entries. Some candidates ignored the fact that the two transactions took place on different dates and prepared a compound journal entry instead.</p>
(2)		<p>Fair. Some candidates were able to calculate the retained profits as at 31 December 2022 in statement form. Whilst many candidates omitted or failed to work out the amount of debenture interest for 2022, others ignored the newly issued shares when calculating the interim ordinary dividend. Some candidates wrongly included the final ordinary dividend declared in 2023 in the calculation of the retained profits.</p>
B(b)		<p>Poor. Most candidates failed to provide the definition of sunk cost, though some of them managed to quote an example of sunk cost from the case.</p>
(c)		<p>Fair. Most candidates were not able to obtain the amount of cost savings from replacing the existing delivery van with the new electric van. Whilst many candidates wrongly considered depreciation expenses and loss on disposal as relevant items, others ignored the trade-in value of the existing delivery van and the expected residual value of the new electric van from the computation. Some candidates did not show their calculations in statement form.</p>

Question Number	Popularity	Performance in General
6	72%	<p data-bbox="577 315 1390 472">Fair. Many candidates were able to prepare both accounts with correct descriptions and figures. However, some candidates were unable to calculate the depreciation expenses on a monthly basis using the straight-line method. Some candidates failed to record the trade-in transaction in the machine disposal account.</p> <p data-bbox="577 510 1390 539">Poor. Most candidates failed to explain the meaning of margin of safety.</p> <p data-bbox="577 577 1390 645">Satisfactory. Most candidates were able to calculate the contribution margin per sales mix.</p> <p data-bbox="577 674 1390 763">Fair. Some candidates were not familiar with the concept of sales mix, and thus they failed to arrive at the sales quantity of each type of stationery to achieve the target profit.</p> <p data-bbox="577 801 1390 958">Fair. Many candidates were able to consider the limited machine minutes in computing the production quantity for each type of stationery. Some candidates failed to compute the contribution margin per machine minute. Instead, they used the contribution margin for each type of stationery in their computation.</p>
A(a)		
B(b)		
(c)(1)		
(2)		
(d)		

## Section C

Question Number	Popularity	Performance in General
7 (a)	72%	Fair. Most candidates were able to calculate the interest on capital and interest on drawings correctly. However, they ignored that Chan's monthly salary had been recorded as operating expenses and so they neither calculated the updated net profit nor handled the share of loss correctly.
(b) (1)		Good. Many candidates were able to prepare the revaluation account, though some of them failed to state the correct account name (i.e. bank) for recording the professional fee.
(2)		Fair. Most candidates failed to transfer the correct balances of the partners' current accounts to the partners' capital accounts. Some candidates did not follow the instruction to record the adjustments for goodwill between the partners in the capital accounts directly. Some candidates were unable to work out the amount contributed by the new partner since they ignored the arrangement that the agreed total capital balance of the new partnership would be contributed by the two partners equally.
(3)		Fair. Many candidates were able to present the statement of financial position in a proper format, though they failed to show the correct balances of some accounts, such as bank, inventory and Chow's current accounts.
(c)		Poor. Many candidates did not understand the meaning of solvency. They mistakenly stated that the short-term interest-free loan from Chan would affect the solvency of the new partnership.
8 (a)	28%	Fair. Many candidates failed to adjust either the direct debit of management fee or the cheques which were deposited but not yet credited by the bank in the bank reconciliation statement.
(b) (1)		Poor. Many candidates did not manage to ascertain the credit sales amount from the trade receivables account as they failed to record the amount of bad debt recovered correctly.
(2)		Poor. Many candidates were unable to compute the balance of the allowance for doubtful accounts account as at 31 December 2022.
(3)		Poor. Many candidates were not able to calculate the amount of cash sales correctly as they overlooked the cash sales proceeds which were banked after deducting the owner's monthly drawings. Many candidates failed to arrive at the total amount for purchases as they did not consider the discounts received. Some candidates did not manage to find out the gross profit for the year as they ignored the outdated goods which were sold at cost. Some candidates mistakenly showed the insurance compensation as other income in the income statement.

### General comments and suggestions

Candidates should read the questions carefully and present their answers in a tidy manner with a good layout and legible writing. They should use appropriate account names as descriptions for the accounting entries and present their answers in accordance with the requirements of the questions. Candidates should show workings in their answers, so that they can gain some step marks even if the final answer is wrong.

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

**Section A**

Question Number	Performance in General
1 (a)	Fair. Many candidates were able to suggest two internal communication programmes. However, some of them suggested induction programmes, orientation programmes and mentorship programmes, which were not suitable for the management to understand the opinions of the employees towards a new policy.
(b)	Satisfactory. Many candidates were able to give one assumption of Theory Y employees and suggested one way to motivate them. However, some candidates failed to give the assumption accurately and clearly, for example, by simply stating 'love the job' as the answer.
2 (a)	Poor. Some candidates were able to explain the meaning of market positioning. However, most candidates failed to state the concepts of 'creates an image' and 'projects the image'.
(b)	Fair. Some candidates were able to suggest two on-the-job training methods, though they failed to relate the explanation to the newly-recruited aircraft maintenance technicians. Many of them confused the methods of coaching and apprenticeship training.
3 (a)	Fair. Many candidates were able to suggest suitable competitive advantages for a fitness centre. However, some of them only focused on giving examples of product and service differentiation without providing other bases of competitive advantages.
(b)	Poor. Some candidates were able to identify the correct element of promotion mix based on the context of the question. However, most of them just simply stated 'attract customers to try or buy' as the objective of sales promotion, without mentioning 'short-term incentive'. Some of them mistakenly gave the marketing mix (4Ps) as the answer.
4 (a)	Poor. Most candidates failed to explain the purpose of budgeting for a business. Instead, they simply stated the meaning of budgeting.
(b) (i)	Fair. Most candidates failed to calculate the trade payables turnover as they included the cash purchases in the numerator.
(ii)	Poor. Most candidates failed to comment on the firm's performance in managing its trade payables precisely. They simply gave 'managing trade payables was poorer' as the answer.

**Section B**

Question Number	Popularity	Performance in General
5 (a)	64%	<p>Poor. Many candidates were able to point out that the net present value is calculated based on cash flows, while the accounting rate of return is based on profits. However, they failed to explain the problems arising from calculating based on profits. Some candidates confused the concepts of value-added and profit or loss.</p>
(b)		<p>Poor. Although most candidates were able to state the elements of the credit standards (5Cs) and provide general explanations, they failed to make further elaboration based on the context of the question. Some candidates only provided the elements of 5Cs but they failed to give relevant elaboration. For example, they mistakenly explained 'condition' as being Tsuen Kee's financial situation.</p>
(c)		<p>Fair. Many candidates were able to point out the socio-cultural factors, but some of them failed to explain how these factors would affect the buying decisions of Tsuen Kee's customers.</p>
(d)		<p>Fair. Many candidates were able to suggest two different product strategies, but the strategies given by some candidates were under the same category. For example, both product extension and product filling were under the point 'increasing the variety of camping products'. Some candidates incorrectly answered from the perspective of a manufacturer, pointing out that Tsuen Kee could produce or design different kinds of camping products on their own.</p>
(e)		<p>Satisfactory. Most candidates were able to explain the main uses of performance appraisal, but some candidates had similar content for the two uses. For example, both uses were related to training. Additionally, some candidates did not read the question carefully. They stated that the purpose of the performance appraisal was to promote salesperson, which had been already mentioned in the question.</p>
6 (a)	36%	<p>Satisfactory. Most candidates were able to identify that the industry was in the maturity stage of the product life cycle and to give two relevant pieces of evidence from the case to support the answer.</p>
(b)		<p>Poor. Some candidates were able to describe how Foodie could use observational research to gather information on customers' preferences with brief explanations on the limitations. However, many candidates failed to provide a relevant description with reference to the case.</p>
(c)		<p>Poor. Most candidates failed to explain the action plans that Foodie should take after comparing the manpower demand and supply based on the case scenario. They just provided some general manpower plans without considering that Foodie will close some branches and launch an online shopping platform.</p>
(d)		<p>Poor. Most candidates failed to compute the average inventory and thus failed to compute the inventory turnover.</p>
(e)(i)		<p>Poor. Some candidates were able to describe the cash conversion cycle of Foodie. However, many candidates failed to include all the cash outflows of Foodie and wrongly explained how the inventory turnover calculated in part (d) would affect the cash conversion cycle or level of cash.</p>
(ii)		<p>Poor. Some candidates were able to explain that the drop in the inventory turnover means a slow-moving inventory, which would lengthen the cash conversion cycle of Foodie. However, many candidates seemingly did not understand the meaning of cash conversion cycle and provided an irrelevant explanation.</p>

## Section C

Question Number	Popularity	Performance in General
7 (a)	52%	Poor. For those candidates who were able to precisely identify the marketing objectives, they were able to accurately propose the pricing strategies to achieve the objectives. However, only a small number of candidates were able to provide detailed examples to illustrate how the pricing strategies help Yummy Dining Group achieve the objectives. Some candidates failed to notice the information in the question was to 'adjust' the pricing strategies and so they suggested using a 'penetration pricing strategy' or a 'skimming pricing strategy', which are for pricing new products.
(b)		Poor. Many candidates were only able to give the forms of performance-based pay and failed to accurately explain the meaning of the forms. For example, 'commission' is linked to sales revenues. Most candidates only generally explained how the different forms of pays could motivate employees, by providing such observations that 'they will work hard'. However, they failed to provide concrete examples for the dining group.
8 (a)	48%	Poor. Some candidates were able to briefly explain the advantages of distributing home appliances through a large retail chain. However, they failed to fully elaborate the points with concrete examples. Furthermore, some candidates mistakenly compared the advantages of exclusive distribution (the manufacturer) and intensive distribution (a large retail chain).
(b)		Poor. Some candidates were able to suggest the correct factors, but they failed to use such terms as 'dilution' of control accurately. In addition, many candidates failed to fully provide the differences of the factors for the two financing methods respectively. Instead, they only explained one of the methods.

### General comments and suggestions

Candidates should read the case information and requirements of questions carefully. They need to relate their answers to the case contexts and avoid only providing general descriptions or explanations. They should strengthen their ability to apply knowledge and concepts to specific contexts.