

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 mark 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

Question No.	Key	Question No.	Key
1.	C (42%)	16.	B (61%)
2.	A (38%)	17.	A (56%)
3.	C (62%)	18.	D (61%)
4.	D (71%)	19.	D (73%)
5.	B (47%)	20.	B (68%)
6.	C (54%)	21.	B (74%)
7.	C (35%)	22.	C (70%)
8.	B (79%)	23.	A (60%)
9.	A (51%)	24.	C (64%)
10.	B (90%)	25.	D (80%)
11.	A (82%)	26.	D (57%)
12.	D (75%)	27.	A (57%)
13.	B (55%)	28.	B (65%)
14.	C (77%)	29.	A (69%)
15.	D (40%)	30.	C (82%)

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

SECTION B PART I**QUESTION 1**

- | | Marks |
|--|-------|
| (a) Joint venture: | 1 |
| - two or more businesses form a new business entity to carry out joint project(s) | |
| (b) Advantages: | Max 4 |
| - more capital/resources can be contributed by joint venture partners | |
| - business risks can be shared among joint venture partners | |
| - easier entry into new market: joint venture partners know local market well/have local connections | |
| - can bring in expertise/goodwill of different joint venture partners | |
| - can enjoy economies of scale | |
| (2 marks for each relevant advantage, maximum 4 marks) | |
-

5 marks**QUESTION 2****Marks**

- | | |
|--|---|
| (a) Financial needs: | 4 |
| - paying daily expenses to maintain her living | |
| - meeting contingencies, e.g. urgent medical expenses | |
| - estate planning, e.g. funeral expenses | |
| (2 marks for each relevant need, maximum 4 marks) | |
| (b) Responsibilities: | 2 |
| - understanding the terms of the investment contract before signing it | |
| - checking account statements and transaction documents | |
| - understanding the characteristics and the risks of the investment instruments involved | |
| (1 mark for each relevant responsibility, maximum 2 marks) | |
-

6 marks**QUESTION 3****Marks**

- | | |
|---|---|
| (a) (i) Company A: departmentalisation by function | 1 |
| (ii) Company B: departmentalisation by product | 1 |
| (b) General Manager of Company A | 1 |
| (c) Risk Management Department | 1 |
| Main role: | 2 |
| - identifying the possible risks the business is exposed to | |
| - formulating risk management strategies to manage the risks | |
| (2 marks for each relevant role, maximum 2 marks) | |
| (d) - 2016 | 1 |
| - accrual concept | 1 |
| - revenues and expenses are recognised when they are earned or incurred and are included in the financial statements of that year | 1 |
-

9 marks

PART 2**QUESTION 4****Marks**

(a)

John

Trial balance as at 31 December 2016

	Dr	Cr]	0.5
	\$	\$		
Capital, 1 January 2016	240 000			0.5
Bank overdraft		173 400		0.5
Furniture	204 000			0.5
Sales		796 200		0.5
Purchases	500 400			0.5
Returns inwards	1 800			0.5
Returns outwards		1 500		0.5
Discounts received		2 100		0.5
Operating expenses	507 000			0.5
	<u>1 213 200</u>	<u>1 213 200</u>		<u>(5)</u>

(b) Business ethics:

- the moral principles, values and beliefs which govern the behaviours of a business

1

(c) (i) employees of the firm:

- providing fair and reasonable remuneration
- providing a safe and pleasant working environment

(2 marks for each explanation, max. 2 marks)

2

(ii) residents living around the firm

- disposing of litter and waste appropriately
- sponsoring community activities

(2 marks for each explanation, max. 2 marks)

2

10 marks

QUESTION 5**Marks**

(a)

John

Income statement for the year ended 31 December 2016			0.5
	\$	\$	
Sales		796 200	0.5
Less: Returns inwards		1 800	0.5
		<u>794 400</u>	
<u>Less: Cost of goods sold</u>			
Purchases		500 400	0.5
Less: Returns outwards		1 500	0.5
		<u>498 900</u>	
Less: Closing inventory		195 000 303 900	0.5
Gross profit		<u>490 500</u>	0.5
Add: Discounts received		2 100	0.5
		<u>492 600</u>	
Less: Operating expenses		<u>507 000</u>	0.5
Net loss		<u>(14 400)</u>	0.5
			(5)

(b) Management function:

- planning

1

(c) Reasons:

- to help capture opportunities and deal with challenges
 - to provide direction to his staff
 - to provide standards for monitoring work progress
- (2 marks for each relevant reason, maximum 4 marks)

10 marks**END OF PAPER 1**

Paper 2A
Accounting Module

SECTION A

QUESTION 1

		Marks
(a)	i. Business entity ii. Timeliness iii. Going concern iv. Money measurement v. Realisation	1 1 1 1 1 (5)
(b)	Materiality - Materiality refers to the impact of an item's nature and size on the company's financial operations. / Information is material if omitting it or mis-stating it could influence decisions that users make on the basis of the reported financial information. - The calculator is insignificant in value in view of a multinational corporation's size of operations, and hence it should be recorded as an expense in the year of purchase.	1 1 (3)

8 marks

QUESTION 2

Marks

- (a) Number of units remaining unsold = $(400 + 500 + 1500) - (250 + 1600) = 550$ units
 Unit average cost = $\$17\ 200 + 20\ 000 + 54\ 000 / 2400 \text{units} = \$38/\text{unit}$
 Value of closing inventory = $\$38 \times 550 \text{ units} = \$20\ 900$ (2)

(b)

Tommy Company
Income statement for the month ended 31 March 2017

	\$	\$	
Sales (250 x \$45 + 1600 x \$39)		73 650	0.5
Less: <u>Cost of goods sold</u>			
Opening inventory	17 200		0.5
Purchases	74 000		0.5
	91 200		
Less: Closing inventory	20 900	70 300	0.5
Gross profit		3 350	
Less: Operating expenses		14 350	0.5
Net loss	11 000		0.5

(3)

- (c) - the gross profit for the month of March 2017 will decrease by \$1650 (\$3 x 550)/decrease to \$1700
 - because of applying the rule of lower of cost and net realisable value 1 (3)

8 marks

QUESTION 3

Marks

- (a) 2015 Depreciation expense = $\$432\ 000 \times 2400/8000 = \$129\ 600$ 1
- 2016 Depreciation expense = $\$432\ 000 \times (8000 - 1800 - 2300 - 2400)/8000 = \$81\ 000$ 1
(2)
- (b) (i) \$400 000 0.5
- (ii) $[(\$300\ 000 - \$180\ 000) / (600\ 000 - 360\ 000)] \times 480\ 000$
= \$0.5 x 480 000
= \$240 000 1
- (iii) Variable cost per unit = $(\$125\ 000 - \$77\ 000)/(600\ 000 - 360\ 000)$ units = \$0.2 per unit
Fixed cost = $\$125\ 000 - (\$0.2 \times 600\ 000 \text{ units}) = \5000
Total cost = $\$5000 + (\$0.2 \times 420\ 000 \text{ units}) = \$89\ 000$ 1.5
(3)
- (c) mixed cost/semi-variable cost/semi-fixed cost (1)
- (d) - Type P 1
- Type P is a fixed cost. Given that KM Company has sufficient production capacity, Type P would not change no matter whether the special order is accepted or not. 1
(2)
8 marks

SECTION B

QUESTION 4

Marks

Cash at bank		
0.5 Balance b/d	\$ 105 468	
1 K & K Limited (i)	15 236	Electricity (ii) 900 0.5
0.5 Dividend income (v)	3 160	Bank charges (iv) 794 0.5
1 Rent and rates (vii)	180	Trade receivables (vi) 11 630 1
		Term deposit (ix) 60 000 0.5
		Interest income (ix) 1 200 0.5
		Balance c/d 49 520
	<u>124 044</u>	<u>124 044</u>
		(6)

Bank reconciliation statement as at 31 December 2016

Adjusted balance as per cash at bank account	\$	\$
Add: Unpresented cheques (i)		49 520 0.5
-450998		
-482118		35 060 0.5
	<u>7 850</u>	<u>42 910</u> 0.5
Less: Incorrect debit made by bank (iii)		92 430
Uncredited deposits (viii)		8 755 1
Balance as per bank statement		81 425 90 180 1
	<u>2 250</u>	<u>0.5</u>
		(4)

10 marks

QUESTION 5
Marks

(a)	The Journal	Dr \$	Cr \$	Marks
(i)	Discounts allowed Trade receivables	3 400	3 400	0.5
(ii)	Cash Sales	28 050	450	0.5
	Trade receivables - Pearl Limited	450	28 500	0.5
(iii)	Trade payables Purchases	270	270	0.5
(iv)	Suspense Returns inwards Returns outwards	880	440	0.5
			440	0.5
			(5)	0.5

(b)	Statement to calculate the retained profits as at 31 December 2016	\$	\$	
	Draft net profit for 2016		7 700	
	Adjustments:			
	Discounts allowed omitted (i)	(3 400)		0.5
	Sales overstated (ii)	(450)		0.5
	Purchases overstated (iii)	270		0.5
	Returns inwards wrongly debited (iv)	440		0.5
	Returns outwards omitted (iv)	440	(2 700)	0.5
	Adjusted net profit for 2016		5 000	0.5
	Retained profits as at 1 January 2016		10 000	0.5
	Retained profits as at 31 December 2016		15 000	0.5
				(4)

(c) Gearing ratio:

$$= \frac{320\,000 + 760\,000}{320\,000 + (1\,305\,000 + 760\,000 + 15\,000)} \times 100\% \\ = 45\%$$

(2)

- (d) - The dividend per share for preference shares is usually fixed, while it varies for ordinary shares. Max. 2
- The preference shareholders usually have the right to receive dividends prior to the ordinary shareholders.
- (1 mark for each difference, maximum 2 marks)
- (2)

13 marks

QUESTION 6

Marks

- (a) Selling price: $(\$2\ 400\ 000/9600) = \250 per unit 1
 Variable cost of goods sold: $(\$300\ 000 + \$600\ 000)/(2400+9600) = \75 per unit 1
 Variable selling and administrative overheads: $(\$240\ 000/9600) = \25 per unit 1
 Contribution margin: $\$250 - \$75 - \$25 = \150 per unit 1
(4)
- (b) Total fixed overheads: $(\$15\ 000 + \$930\ 000) + \$360\ 000 = \$1\ 305\ 000$ 1
 Contribution margin ratio: $\$150/\$250 = 0.6$ 1
 Breakeven sales: $\$1\ 305\ 000/0.6 = \$2\ 175\ 000$ 1
OR
 $(\$1\ 305\ 000/\$150)\text{units} \times \$250 = 8700 \text{ units} \times \$250 = \$2\ 175\ 000$ 2
(4)
- (c) (i) Total direct labour hours: $(6 \text{ minutes} \times 5000) + (10 \text{ minutes} \times 7000) = 100\ 000 \text{ minutes}$ 0.5
 Predetermined fixed production overhead absorption rate:
 M1: $\$988\ 000/100\ 000 \times 6 \text{ minutes} = \59.28 per unit 0.5
 Super-M: $\$988\ 000/100\ 000 \times 10 \text{ minutes} = \98.8 per unit 0.5
(3)
- (ii) Total machine hours: $(48 \text{ minutes} \times 5000) + (40 \text{ minutes} \times 7000) = 520\ 000 \text{ minutes}$ 0.5
 Predetermined fixed production overhead absorption rate:
 M1: $\$988\ 000/520\ 000 \times 48 \text{ minutes} = \91.2 per unit 0.5
 Super-M: $\$988\ 000/520\ 000 \times 40 \text{ minutes} = \76 per unit 0.5
(2)
- (d) - machine hour 1
 - as the operation is machine-oriented/machine maintenance and depreciation for machinery are 1
 the main components of fixed production overheads/total machine hours used is nearly
 five-fold of total direct labour hours used

13 marks

SECTION C

QUESTION 7

Marks

(a) (i)

Income statement for the year ended 31 December 2016			Mark
Sales	(\$1 523 800 + \$13 700 - \$12 100)	\$	\$
Less:	<u>Cost of goods sold</u>	1 525 400	1.5
	Opening inventory		
Add: Purchases	(\$989 170 + \$135 000 - \$149 700)	143 000	0.5
		974 470	1.5
	Less: Closing inventory	1 117 470	
		15 000	0.5
	Less: Destroyed inventory (Balancing figure)	1 102 470	
Gross Profit	(\$1 525 400 - \$50 000) x 30%	19 690	0.5
Add: Interest income		442 620	1
		200	1
		442 820	
Less:	<u>Expenses</u>		
	Staff salaries (\$129 000 + \$89 400)	218 400	0.5
	Rent and rates (\$127 750 - \$8000)	119 750	0.5
	Sundry expenses (\$42 800 + \$2180 - \$2440)	42 540	1
	Inventory loss	19 690	0.5
	Depreciation on motor van (\$24 000/0.8) x 20%	6 000	1
Net profit		406 380	
		36 440	
			(10)

(ii)

Statement of financial position as at 31 December 2016			Mark
<u>Non-current Assets</u>		\$	\$
Motor van, net (\$24 000 - \$6000)		18 000	0.5
2% Term deposit		20 000	0.5
		38 000	
<u>Current Assets</u>			
Inventory		15 000	0.5
Rental deposit		8 000	0.5
Interest receivable		200	0.5
Trade receivables		13 700	0.5
Cash at bank (\$99 180 - \$1200)		97 980	1
		134 880	
		172 880	
<u>Capital</u>			
Balance as at 1 January 2016		88 760	0.5
Add: Capital injection		10 000	0.5
Add: Net profit for the year		36 440	0.5
		135 200	
Less: Drawings	(\$29 500 + \$70 000)	(99 500)	35 700
			0.5
<u>Current Liabilities</u>			
Trade payables		135 000	0.5
Accrued sundry expenses		2 180	0.5
		137 180	
		172 880	(7)

QUESTION 7 (Cont'd)

- | | Marks |
|--|-------|
| (b) - normal loss is an expected loss arising from normal purchases or production activities | 1 |
| - abnormal loss is an unexpected loss in the operation of a business | 1 |
| - the loss caused to Mark's business by the fire is an abnormal loss | 1 |
| | (3) |

20 marks

(a)

	Capital			2016	Bill	Ben	Tom	\$	\$	\$	2016	Bill	Ben	Tom	\$	\$	\$		
	2016	Bill	Ben	Tom	2016	Bill	Ben	Tom	\$	\$	\$	2016	Bill	Ben	Tom	\$	\$	\$	
0.5 Goodwill				48 000	Balance b/d								162 000		466 000				
0.5 Loan - Bill	252 500				Cash at bank														
1 Balance c/d		563 500	192 000		Current														
					Revaluation (w1)								42 000						
					Goodwill								24 500	73 500					
													24 000	24 000					
													252 500	563 500	240 000				

(w1) Gain on revaluation = \$248 000 - (\$120 000 / 0.8) = \$98 000

(6)

(b) (i)

Appropriation account for the year ended 31 December 2016

Net loss	\$ (371 000 + 19 600 + 5050) (w2)	\$																	
Add:	Salary to Tom (\$2000 x 12)																		
Share of loss	- Ben (1/2)																		
	- Tom (1/2)																		

(w2) Depreciation expense under-provided for = [\$248 000 - (\$120 000/0.8)] x 20% = \$19 600
Loan interest expense = \$252 500 x 2% = \$5050

(3)

(b) (ii)

2016	Current			2016	Ben	Tom	\$	\$	\$	2016	Ben	Tom	\$	\$	\$			
	2016	Ben	Tom															
0.5 Balance b/d		20 000		Appropriation account – salary														
0.5 Appropriation account																		
- share of loss	209 825	209 825	Balance c/d															
	229 825	209 825																

(2)

(c) Items that would be recorded in the current account:

- Drawings
 - Interest on capital
 - Interest on drawings
 - Interest on loan to partner(s)
- (1 mark for each item, max. 2 marks)

(2)

QUESTION 8 (Cont'd)

Marks

		Realisation	
(d)		\$	
0.5 Equipment (\$248 000 x 0.8)	198 400	Ben's Capital: Equipment	\$ 174 000
0.5 Trade receivables	70 000	Cash at bank - Trade receivables and inventory	96 000 0.5
0.5 Inventory	98 000	Trade payables - discounts received	1 000 0.5
0.5 Cash at bank- realisation expenses	6 000	Interest payable	5 050 0.5
		Share of realisation loss:	
		Capital - Ben (1/2) 48 175	
		Capital - Tom (1/2) 48 175	96 350
	<u>372 400</u>		<u>372 400</u>

(4)

		Capital			
2017		Ben	Tom	2017	
		\$	\$		
0.5 Current account	229 825	185 825	Balance b/d	563 500	192 000
0.5 Realisation: Equipment	174 000		Cash at bank		42 000
0.5 Realisation	48 175	48 175			0.5
0.5 Cash at bank	<u>111 500</u>			<u>563 500</u>	<u>234 000</u>
	<u>563 500</u>	<u>234 000</u>			

(3)

20 marks

END OF PAPER 2A

PAPER 2B
Business Management Module

SECTION A

QUESTION 1

- | | Marks |
|--|----------------|
| (a) - pure risk involves only the possibility of loss or no loss
- speculative risk involves the possibilities of both gain as well as loss | 1
1 |
| (b) Liability insurance:
- public liability insurance: e.g. protecting the theme park against accidental injury or loss of personal belonging of the visitors
- employees' compensation insurance: e.g. protecting the theme park against insurance claims arising from injury to their employees at work
(2 marks for each type of insurance, max. 4 marks) | 4 |
| | 6 marks |

QUESTION 2

- | | Marks |
|--|----------------|
| Factors: | 6 |
| - capital: whether the borrower has sufficient capital to back up his debt
- capacity: whether the borrower has the ability to meet the obligation
- collateral: whether the borrower has sufficient assets to secure the debt
- character: whether the borrower has a sense of responsibility to repay the debt
- condition: general economic environment
(2 marks for each relevant factor, max. 6 marks) | 6 marks |

QUESTION 3

- | | Marks |
|---|----------------|
| Objectives: | 6 |
| - to avoid accidents: e.g. by improving driving skills and enhancing safety consciousness
- to improve the quality of service: e.g. by enhancing drivers' communication skills and manners with customers
- to improve efficiency: e.g. by better equipping drivers with the skills and techniques required/ making sure drivers are familiar with the routes, roads and traffic regulations
(2 marks for each relevant objective, max. 6 marks) | 6 marks |

QUESTION 4

- | | Marks |
|--|----------------|
| Ways: | 6 |
| - price: e.g. cutting prices to stimulate sales
- product: e.g. phasing out weak/unpopular product items
- place: e.g. phasing out unprofitable distribution channel members
- promotion: e.g. minimising promotional expenses and focusing on retaining loyal customers
(2 marks for each relevant way, max. 6 marks) | 6 marks |

SECTION B
QUESTION 5

Marks

(a)

Method	Disadvantage
- self-finance: e.g. Marco can invest more capital in his business or use his profits for the expansion	- limited source of funds, the amount of funds raised is lower than through other methods
- setting up a partnership: e.g. Marco can invite business partners to contribute capital	- difficult to find suitable partners/joint decisions/less flexibility
- setting up a private limited company: e.g. inviting friends or relatives to become shareholders of his business	- complicated and costly setup procedure
- long term debt: e.g. borrowing from friends, the bank or other financial institutions	- fixed obligation to repay interest and principal

(1 mark for each method and 1 mark for the relevant disadvantage, max. 6 marks)

(b)

Needs:

- social needs: need for interaction and communication with other people, e.g. relationships with colleagues and customers, sense of belonging to the retail chain
- esteem/ego needs: need for recognition of achievement and contribution, e.g. autonomy, appreciation, recognition, respect
- self-actualization needs: desire to realise his full potential and talents to achieve, e.g. by having a challenging job, career advancement, self-development

(2 marks for each relevant need, max. 4 marks)

4

4

4

(c)

Reasons:

- to understand more the needs and requirements of existing customers and provide better marketing strategy
- to facilitate cross-selling
- to enhance loyalty of existing customers

(2 marks for each relevant reason, max. 4 marks)

(d)

Limitations:

- affecting the morale of candidates not promoted
- creating unhealthy competition among the staff of the chain
- limited source of new ideas and skills

(2 marks for each relevant limitation, max. 4 marks)

18 marks

QUESTION 6

	Marks
(a) Characteristics:	
<ul style="list-style-type: none"> - intangibility: e.g. being able to use tangible clues and physical evidence, such as providing a clean dining environment, maintaining waiters' professional look - inseparability: e.g. providing training to waiters to improve their interpersonal skills and service manners - perishability: e.g. handling fluctuating demand flexibly and reducing waiting time by using a reservation system or hiring part-time waiters - heterogeneity: e.g. using an instructional manual and standardised procedures to take food orders and maintaining service consistency <p>(2 marks for each relevant characteristic, max. 6 marks)</p>	6
(b) Limitations:	
<ul style="list-style-type: none"> - less in-depth information - difficult to control the response rate - limited and biased sample as it could not include other restaurants' customers/non-members <p>(2 marks for each relevant limitation, max. 4 marks)</p>	4
(c) (i) Payback period:	
$\begin{aligned} \$4\,000\,000 / \$1\,420\,000 \\ = 2.82 \text{ years} \end{aligned}$	2
(ii) Net present value:	
$\begin{aligned} (\frac{\$1\,420\,000}{1.06^1} + \frac{\$1\,420\,000}{1.06^2} + \frac{\$1\,420\,000}{1.06^3}) - \$4\,000\,000 \\ = -\$204\,323 \end{aligned}$	2
(d)	
<ul style="list-style-type: none"> - the NPV is negative, so the robotic system project should not be accepted 	2
(e) Methods:	
<ul style="list-style-type: none"> - accounting rate of return: the average annual net profit earned from the project per dollar of investment - internal rate of return: the discount rate at which the net present value of the project is zero <p>(2 marks for each relevant method, max. 2 marks)</p>	2

18 marks

SECTION C

QUESTION 7

Marks

- (a) **Aspects:** 8
- profitability: evaluate the income-generating power/earning power of the airline company (e.g. gross profit ratio, net profit ratio, return on capital employed)
 - liquidity: evaluate the ability of the airline company to repay short-term debts using its current assets (e.g. current ratio, liquid ratio)
 - solvency: evaluate the financial leverage and gearing of the airline company (e.g. gearing ratio)
 - management efficiency: evaluate how efficiently the airline company utilises its assets and resources (e.g. trade receivables turnover, trade payables turnover, total assets turnover)
- (2 marks for each relevant description, max. 8 marks)
- (b) **Purposes:** 12
- to comply with legal requirements: e.g. rest days, Mandatory Provident Fund and statutory holidays
 - to build an image as a good employer: e.g. award of 'employer of choice'
 - to satisfy employees' security and social needs: e.g. provide insurance and organise recreational activities
 - to enhance employees' loyalty: e.g. airlines' staff discounts, training subsidies
- (3 marks for each relevant purpose, max. 12 marks)
-
- 20 marks

QUESTION 8

Marks

(a) Steps:

1. review current performance and conduct situational analysis: e.g. conduct a SWOT analysis
2. set marketing objectives: e.g. increase in market share, profit maximisation, etc.
3. select target markets: e.g. understand the buying behaviours of different market segments and choose the most suitable target market
4. formulate marketing strategies: e.g. targeting and positioning (e.g. market leader, market challenger, market follower or market niches) which help maintain and enhance the fashion chain's competitive position

8

(2 marks for each relevant step in correct sequence, max. 8 marks)

(b)

Factors:

12

Socio-cultural factors:

- culture: e.g. beliefs, values and customs (including race, religion, geographical location and age)
- social class: e.g. occupation, education and income
- reference group: i.e. direct reference group (e.g. friends, family members, colleagues) and indirect reference group (e.g. celebrities)

Psychological factors:

- perception: e.g. what determines how customers process the stimuli (e.g. country of origin, texture and quality, package) to which they are exposed to
- learning: e.g. changes in behaviour through experience (e.g. poor quality of clothing bought from the shop previously would hinder the customers to come again)
- belief and attitude: e.g. feelings towards the brand
- personality and self-concept: e.g. customers' choosing clothing which can reflect their identities and characters (e.g. conservative/open-minded/trendy)

(3 marks for each relevant factor, max. 12 marks)

20 marks

END OF PAPER 2B