

Candidates' Performance

11 340 candidates sat the Business, Accounting and Financial Studies examination this year: 8 305 chose the Accounting Module and 3 035 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 score was 38 out of 60 marks.

The percentage correct was lowest in the following questions:

8. Which of the following should be credited to the purchases account of a firm?

- (1) goods withdrawn by owners for personal use
 - (2) goods returned to a supplier
 - (3) goods donated to a non-profit making organisation
- | | | |
|----|-------------------|-------|
| A. | (1) only | (12%) |
| B. | (1) and (3) only* | (33%) |
| C. | (2) and (3) only | (20%) |
| D. | (1), (2) and (3) | (35%) |

Many candidates failed to recognise that goods returned to a supplier should not be credited to the firm's purchases account.

13. Which of the following statements about a bank overdraft is/are correct?

- (1) There is no fixed repayment schedule.
 - (2) Its interest is usually charged on a monthly basis.
 - (3) Collateral is usually not required.
- | | | |
|----|-------------------|-------|
| A. | (1) only | (15%) |
| B. | (1) and (3) only* | (31%) |
| C. | (2) and (3) only | (23%) |
| D. | (1), (2) and (3) | (31%) |

Many candidates failed to recognise that interest on a bank overdraft is usually charged on a daily basis.

18. Which of the following statements about the Ocean Park Corporation, a public corporation in Hong Kong, are correct?

- (1) It is listed on the Hong Kong Stock Exchange.
 - (2) Its board of directors is appointed by the government.
 - (3) It is self-sufficient financially.
- | | | |
|----|-------------------|-------|
| A. | (1) and (2) only | (15%) |
| B. | (1) and (3) only | (28%) |
| C. | (2) and (3) only* | (41%) |
| D. | (1), (2) and (3) | (16%) |

Many candidates failed to recognise that the board of directors of a public corporation is appointed by the government.

22. In the basic listing requirements of the Growth Enterprise Market for new applicants, there is no minimum requirement relating to _____.

- A. cash flow (19%)
- B. profit* (30%)
- C. operating history (25%)
- D. market capitalisation (26%)

Many candidates failed to recognise that there is no minimum requirement relating to profit for new applicants in the basic listing requirements of the Growth Enterprise Market.

Section B

Part 1

Question Number	Performance in General
1 (a)	Poor. Many candidates confused Nick Limited's consideration on its external technological and economic factors with its internal technical and cost factors related to planning for the online store, e.g. they mentioned whether Nick Limited has sufficient knowledge to design the webpage and capital to establish the online store.
	Fair. Most candidates suggested two strategies for lowering production costs under globalisation. However, in their elaboration some candidates mixed up the outsourcing of the production process with global sourcing.
2 (a)	Fair. Many candidates were able to state the characteristics of small and medium enterprises (SMEs). However, some candidates gave the characteristics of entrepreneurship as the characteristics of SMEs.
	Poor. Most candidates only stated the characteristics of entrepreneurship without explaining the contribution of entrepreneurship to the development of business based on the given scenario.
3 (a)	Fair. In (i), most candidates stated the positive impact on the share price because of the generous dividend policy, though they failed to explain the reasons behind this. In (ii), many candidates pointed out that due to the decrease in sales revenue, the share price will decrease. However, they failed to elaborate on the impact of the decrease in sales revenue on the general performance of Darwin Limited which would finally lead to the decrease in share price.
	Fair. Most candidates gave a complete explanation of the going concern assumption. However, many failed to give the correct valuation for the non-current assets. They used net book value, market price, disposal value or fair value in their answers.

Part 2

Question Number	Popularity	Performance in General
4 (a)	87%	Good. Most candidates were able to compile the statement of financial position correctly. However, some did not show the format properly and many wrongly classified the bank loan as a non-current liability. Some candidates used abbreviations such as 'bal' and 'Jan' in their presentation. Some failed to state the date of the Capital account balance or gave a wrong date.
		(b) Fair. Many candidates were able to state the leadership style adopted by Mandy. However, some spelt the words 'autocratic' wrongly.
		(c) Poor. Many candidates stated that employees' morale and sense of belonging would be affected without explaining the other disadvantages.
5 (a)	13%	Poor. Many candidates failed to prepare all the T-accounts correctly because they have deducted the cash discounts from the cost of purchases. They also failed to show the corresponding account name of the other side of the double entries.
		(b) Poor. Many candidates gave 'Management by objectives (MBO)' as the answer.
		(c) Poor. Many candidates gave the advantages of MBO and setting objectives as answers.

General comments and suggestions

In general, candidates were able to demonstrate an understanding of fundamental concepts and definitions in business but were weak in applying their knowledge to the scenarios. Candidates should improve their ability to elaborate their answer with reference to the scenario so that they can properly apply their business knowledge and understanding.

Paper 2A (Accounting Module)

Section A

Question Number	Performance in General
1 (a)	Good. Many candidates indicated correctly the books of original entry to be used for transactions (i) to (x). However, some candidates mixed up the Returns Inwards Journal with the Returns Outwards Journal, and others adopted names which were not given in the question.
(b)	Fair. Many candidates did not state clearly the accounts and the corresponding ledgers to be posted for transaction (iii).
(c)	Poor. Most candidates were not able to state one function of keeping books of original entry.
2 (a)(i)	Fair. Most candidates demonstrated a reasonable level of understanding of the cash at bank account. However, many candidates lost marks for not giving proper contra account names of the postings in this account.
(ii)	Satisfactory. Most candidates were able to show the adjustments in the bank reconciliation statement, though some confused unpresented cheques with uncredited cheques.
(b)	Fair. Most candidates were able to indicate the cheque number of the post-dated cheque. However, many candidates did not give an appropriate explanation of a post-dated cheque.
3 (a)	Fair. Most candidates were able to classify manufacturing cost and non-manufacturing cost but some failed to show the components of prime cost separately. Some candidates worked out the correct amount of direct labour cost but failed to understand the relationship among total cost, total manufacturing cost and administrative and selling expenses.
(b)	Poor. Most candidates were not able to calculate the conversion cost. While some wrongly treated the administrative and selling expenses as a conversion cost, others ignored either direct expenses or manufacturing overheads in their computations.
(c)	Poor. Most candidates failed to give a correct example of a direct expense. They cited 'electricity', 'lubricants' or 'depreciation' as the answer.

Section B

Question Number	Performance in General
4 (a)	Satisfactory. Many candidates were able to prepare the capital accounts properly. However, some candidates failed to give appropriate descriptions for the postings in respect of revaluation and goodwill adjustments. Some candidates recorded Tom's salary in his current account and thus failed to arrive at the amount of funds to be injected as capital by Tom.
(b)	Fair. Some candidates failed to calculate the interest on drawings on a pro-rata basis and did not deduct the partner's salary from operating expenses, so they were not able to work out the correct amount of net profit.
(c)	Poor. Many candidates wrongly thought that the partner's salary must be an item in the current account. They failed to realise that salary already paid should not be credited to the current account of a partner.
5 (a)	Fair. Some candidates were not familiar with the formulae for the various financial ratios in this question, while others did not include the relevant figures in the computation. Many candidates failed to adjust trade receivables, sales and retained profits for the goods sent on a sale-or-return basis. When calculating the average trade payables repayment period, some candidates used the total purchases amount instead of the credit purchases amount.
(b)	Poor. Most candidates failed to provide relevant comments on the solvency of Rocky Company Limited for 2017. Some candidates mixed up liquidity and solvency.
6 (a)	Satisfactory. Most candidates were able to work out the correct amount of the monthly margin of safety. Some candidates failed to calculate the breakeven sales amounts based on the increase in the production cost in 2019.
(b)	Poor. Some candidates ignored the requirements of the question and failed to show the incremental revenues and incremental expenses for the whole project. Many were not able to identify the depreciable amount of the truck as an incremental cost. As candidates did not get the correct answer in part (b)(i), they were not able to make a relevant decision in part (b)(ii).
(c)	Poor. Most candidates identified an example of a sunk cost from the question. However, many candidates were not able to define sunk cost.

Section C

Question Number	Popularity	Performance in General
7 (a)	43%	Poor. Many candidates were not familiar with the treatment of a current year final dividend that is declared after the financial year end. Candidates did not know the proper adjustment for 'a customer's purchase order wrongly recorded as credit sales', resulting in incorrect amounts for sales, gross profit and closing inventory. Some candidates did not deduct the cost of fully depreciated equipment when calculating the depreciation charge for the year; others failed to accrue debenture interest for six months.
		(b) Poor. Although most candidates pointed out the accounting principle to be applied to the credit sales recorded in 2017, many failed to explain the accounting treatment with reference to the stated accounting principle.
		(c) Poor. Many candidates gave an explanation of the consistency principle without stating any appropriate reasons for adopting the principle when preparing the financial statements.
		(d) Poor. Most candidates were not able to explain correctly whether the increase in the balance of the general reserve would affect the company's ability to pay dividends. Some confused an increase in the general reserve with an increase in cash.
8 (A)(a)	57%	Poor. Many candidates failed to identify the corrections required for the various situations, such as the increase in allowance for doubtful accounts in item (ii), the accrued staff training expenses in item (iii), the prepaid management fees in item (iv), and the disposal of the motor vehicle in item (v). Some candidates were not aware that all revenues and expenses accounts had been closed and that corrections related to these items should be recorded in the retained profits account.
		(b) Fair. Most candidates presented the statement of financial position in proper format, though some of the figures were not correct due to their mistakes in part (a). Many candidates did not arrive at the correct net book value for motor vehicles, trade receivables, allowance for doubtful accounts or retained profits.
		(B) Fair. Many candidates were able to calculate the contribution per direct labour hour of each product. However, some only calculated the maximum contribution of each product rather than the production quantity for each of the three products.

General comments and suggestions

Candidates are expected to possess a broad understanding of the topics in the curriculum and should be able to give appropriate answers based on the facts and scenarios given in the questions. They should show workings in their answers so that they may gain some step marks even if the final answer is wrong. Candidates are reminded to read the questions carefully and present answers tidily, legibly and properly lay out.

Paper 2B (Business Management Module)

Section A

Question Number	Performance in General
1	Good. Most candidates were able to explain three types of risk management strategy for the shipping company. However, some of them suggested using a 'risk avoidance strategy' which was not appropriate in this situation.
2	Poor. Some candidates were able to suggest three product strategies that a travel agency could adopt to attract customers but some suggested strategies belonging to 'promotion strategies', which were not appropriate to the requirements of the question.
3	Fair. Some candidates were able to suggest three internal communication programmes using appropriate examples in their elaboration.
4 (a)	Satisfactory. Most candidates were able to calculate the trade receivables turnover.
4 (b)	Poor. Most candidates failed to mention the elements of the credit policy and some explained only the remedial actions instead of making comments on the existing credit policy.

Section B

Question Number	Performance in General
5 (a)	Poor. Most candidates failed to describe the operating cycle and explain why the cash conversion cycle of the food truck business is relatively short.
5 (b)	Poor. Some candidates only focused on the general limitations of using budgetary control without considering the context specified in the case, e.g. some management issues may not be applicable to the scale of the food truck business described in the case.
5 (c)	Poor. Most candidates were able to explain the meaning of the 'marketing concept'. However, many of them failed to give a relevant example for the food truck which sells desserts.
5 (d)	Fair. Most candidates were able to give correct bases of market segmentation and provide a clear explanation. However, relevant case specific examples were not given to support the answer.
6 (a)	Poor. Some candidates misinterpreted the meaning of 'freezing' the basic salary as 'canceling' the basic salary. The answers focused wrongly on staff worries about the inability to maintain their livelihood.
6 (b)	Satisfactory. Most candidates were able to find relevant information in the case. However, some emphasised methods satisfying staff physiological needs, such as providing financial rewards or extra holidays.
6 (c)	Fair. Most candidates were able to decide that the project should be rejected. However, some of them wrongly concluded that a negative net present value would result in a net loss for the company.
6 (d)	Satisfactory. Most candidates were able to explain two non-financial factors to support the installation of the robotic arms.

Section C

Question Number	Popularity	Performance in General
7	10%	Poor. Most candidates were unable to describe clearly the two cost components under the Economic Order Quantity Model. Some candidates mixed up the cost components and did not understand the costs trade-off involved in this model. They also failed to explain how the total inventory cost can arrive at its minimum and how the optimal order quantity can be determined.
		Poor. Some candidates were able to explain the factors that the company should consider when deciding whether to distribute the bicycles to customers through middlemen, with appropriate examples. However, many candidates failed to provide relevant examples to answer the question. In addition, some candidates wrongly focused on factors related to choosing appropriate middlemen.
8	90%	Satisfactory. Most candidates were able to describe the data collection methods which can be used by the language learning centre to gather information on the preferences and needs of its potential customers. They generally provided relevant examples, though some were confused about the difference between experimental research and observational research. Some candidates mixed up data collection methods and sources of data.
		Fair. Most candidates were able to describe clearly the steps in conducting a performance appraisal for the course instructors, giving a detailed explanation and appropriate illustrations. However, some failed to explain all the key steps and some mixed up the steps. Some candidates misinterpreted the question as asking for the qualifications and standard required for recruiting course instructors for the language learning centre.

General comments and suggestions

Candidates need to pay attention to the important issues of the meaning and requirements of questions. This is particularly true in questions when qualifying conditions are set, such as case questions, in which a more specific answer is required and other important arguments are hinted.