

HKDSE Business, Accounting and Financial Studies
Report on Student Performance in the Practice Papers

The practice papers were piloted in 10 schools with 345 students participating in Paper 1, 6 schools with 176 students participating in Paper 2A and 6 schools with 169 students participating in Paper 2B. For each paper, three samples are selected to illustrate the typical performance of the students. They are labeled with H, M and L to represent the high, mid and low performance levels of the students in this pilot exercise. Readers are advised to study this report together with the selected samples illustrated in the powerpoint presentation in the Briefing Session to gain a better understanding of the overall students' performance.

Paper 1B

This section consists of six questions. All questions were compulsory.

Question Number	Performance in General
1	Very Good. The overall performance was very good though a few students failed to relate their answers to the construction company.
2	Fair. Most students were able to give a general comparison of the ratios between the two companies but many of them failed to provide a meaningful analysis of the liquidity of Glassy Ltd based on the overall comparison.
3 (a)	Fair. Most students were unable to calculate the amount of monthly installment for Plan B.
(b)	Fair. Many students made a wrong choice. For those who chose Plan A, some of them failed to give an appropriate explanation.
4 (a)	Fair. Students were unable to compare the two instruments in dimensions other than the risk associated.
(b)	Fair. Some students were able to mention "market risk", but many of them failed to explain its nature.
5 (a)	Good. The general uses of financial statements were mentioned.
(b)	Very Good. Students were able to present the income statement properly with correct figures. However, in a few scripts, "carriage outwards" was included in the "cost of goods sold".
6 (a)	Fair. Students were not familiar with the terms "tall-type" and "flat-type" and were unable to use the words "wide" and "narrow" to describe "span of control".
(b)	Fair. Many students were unable to provide the reasons. Though the reasons of speeding up decision-making and improving communications were

	mentioned in some scripts, they were often mixed up as one point.
(c)	Satisfactory. The point “speedy transmission of information” was frequently mentioned but other points were seldom found.

Paper 2A

There are six short questions in Section A and three application problems in Section B. All questions were compulsory. Also, there are two case questions in Section C. Students were required to answer one out of the two questions.

Question Number	Performance in General
1	This question was reasonably done. It was apparent that some students did not fully understand what would affect the balances in the company’s cash book and the bank statement. They merely listed figures appearing in either of these two places. Some did not follow the requirement to prepare a bank reconciliation statement with the updated bank account balance. However, most students were able to point out two uses of a bank reconciliation statement.
2	Many students scored high marks in part (a) but performed less well on part (b) of this question. In part (a), some students encountered difficulties in finding the closing inventory and the fixed production overheads absorbed. It was apparent that students knew the two systems in general as mentioned in part (b) but only very few were able to point out specifically the advantages of using the marginal costing system relative to the absorption costing system.
3	Most students knew the formulae for stock turnover rate and the trade receivable collection period. A common error was that students used the closing inventory but not the average inventory in calculating the trade receivable collection periods. Some students were not able to work out the cost of good sold when attempting to find the inventory turnover. The journal entries for part (b) were reasonably done. Some students did the correct journal entries for the sale of the company’s motor vehicles but suggested that it was a loss on disposal. For part (c), most students were able to point out that it was the accrual concept that should be applied and then they went on to explain the concept rather than to relate the concept to the accounting treatment of the unpaid loan interest.
4	This question on the whole was fairly well done. Students very often put too much emphasis on the speed and accuracy of computers and ignored other contribution of computers to accounting tasks.
5	The sales ledger account was fairly well done. Students’ main error was on the calculation of goods delivered to a customer on a sale or return basis. They ignored the instruction that all goods were sold on a gross profit margin of

	<p>20%. When this was taken into consideration, 40% of the goods taken by the customer should be recorded as a sale in the books of the company. Student performance in part (c) of the question was not satisfactory. Many students showed a lack of basic knowledge in the principal qualitative characteristics of financial statements.</p>
6	<p>This question on the whole was fairly well done. Some students were not able to record the motor vehicle given to Clara as a gift. The goodwill adjustment was however very well handled. Most of the students were able to share correctly the goodwill adjustments among the partners. Students performed reasonably well in preparing the balance sheet. The bank balance was sometimes wrong as students failed to deduct the amount paid to the retiring partner. Most students were able to point out that the \$6 millions should not be recognized and their explanations were reasonable.</p>
7	<p>There were some good answers which demonstrated a full understanding of the characteristics of overhead absorption. Students providing clear tabulations would have helped the easy gathering of the appropriate data. These students usually performed very well in part (a) of this question. Part (b) was not done satisfactorily as compared to part (a). Very often students were not able to find the overheads for department A and department B and as a result, the unit production cost was not correct. When the actual overheads and the actual direct labour hours were given, part (c)(1) should be an easy question. Unfortunately, there were still students who were not able to find the manufacturing overheads under absorbed by department A. For part (c)(2), most students were only able to give one reason to support the use of predetermined manufacturing overheads absorption rate.</p>
8	<p>Most students were able to work out the breakeven volume. A fair number did badly and even the better students were often unable to calculate the margin of safety. Part (b) was well done. Most students were able to describe the opportunity cost and sunk cost and were able to draw appropriate examples from the question. For part (c), it was encouraging to see some students used the increase/decrease in contribution approach to work out the answer but there were students who spent quite a lot of time to find the net profit by working out the total sales and total expenses. Part (d) could be an easy part for students with a good understanding of marginal costing. However, only a few could work out the monthly sales correctly.</p>
9	<p>The statement of financial position was reasonably done. Many students were not able to find the new loan by making use of the ratio of total non-current liability to total equity on 1 January, 2011. As a result, they were not able to work out the finance cost correctly. Some students did not realise purchases were in fact a balancing figure. The statement of financial position was not well prepared. More attention should be paid to the statement's presentation. Before students could work out the equity attributable to the owners of the company, they had to find out the ordinary share capital, the share premium and the retained profit of the company. Some students did not realise that the</p>

	new shares had been issued and the premium had been created. In order to find the retained profit for the year, it was necessary to add together the profit for 2011 with the retained profit of 2010. The retained profit was usually wrong because many students were not able to make use of the ratio of total non-current liability to total equity on 31 December 2010 to find the profit for 2010.
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Paper 2B

There are six short questions in Section A and two case studies in Section B. All questions were compulsory. Also, there are two essay questions in Section C in this practice paper. Students were required to answer one out of the two questions.

Question Number	Performance in General
1	Satisfactory. Most students understand the differences between debt financing and equity financing. However, some of them gave answers about the characteristics rather than the advantages of debt financing.
2	Poor. Many students left the question unanswered. Some students gave financial ratios that were not under the category of activity ratio.
3	Excellent. Most students were able to state clearly the channels for external recruitment.
4	Poor. Many students misinterpreted the meaning of 'measures'. They only outlined the consumer rights instead of the types of consumer protection measures.
5	Very Good. Most students were able to state clearly the differences. However, some of them stated the differences of the marketing mix strategies instead of the nature of the two different types of market.
6	Fair. Many students did not have an in-depth understanding about conciliation and arbitration. In general, they were not able to point out three differences between conciliation and arbitration.
7	Satisfactory.
(a)	Some students answered the differences between group and individual decision making instead of the advantages of centralisation in the controlling function.
(b)	(1) Most students were able to identify the Maslow's hierarchy of needs but some of them were not able to relate the needs to the case. (2) Many students chose only Theory X or Theory Y instead of using both Theory X and Theory Y to evaluate the specific case situation.
(c)	Most students were able to suggest various measures to be adopted by the company. However, some of them did not understand the meaning of

	<p>coordination and were not able to provide relevant measures to improve the situation.</p> <p>(d) Most students were able to point out the basic steps in manpower planning. However, some of them mixed up the sequence of some steps.</p> <p>(e) Most students were able to identify two other sources of funds. However, some students re-stated the SME fund as one of the sources.</p>
8	<p>Satisfactory.</p> <p>(a) Most students were able to identify the characteristics of the market for product at the introductory stage. However, some students listed different stages of the product life cycle instead of pointing out the characteristics of the market.</p> <p>(b) Most students were able to calculate the required payback period and net present value.</p> <p>(c) Most students were able to identify the superiority of the low-priced version in terms of the payback period and the net present value. However, some of them failed to explain why such superiority was of particular relevance to the situation.</p> <p>(d) Most students were able to identify the four elements of the marketing mix strategies. However, some of them were not able to explain the key characteristics of each strategy for this particular product.</p> <p>(e) Some students were not able to identify the underlying problem for the usage and wastage. They provided answers that were related to the changes in the price of raw materials or the wage rate of employees.</p>
9 (a)	<p>Well answered. Most students were able to describe the steps in conducting marketing research. However, some of them mixed up the sequence of the steps.</p>
(b)	<p>Good. Most students were able to identify the three types of risk management strategies. However, some of them were not able to explain how these strategies could be implemented for the product.</p>
10	<p>Fair. Most students were able to identify various human resources management functions. However, a lot of them were not able to explain how these functions should be designed to support the development of the new recruits who would take up senior management positions in the future.</p>