

Sharing of BAFS Paper 2A Examination Technique

By Mr. SK Wan
尹紹基先生

MODE OF ASSESSMENT

Candidates are required to enter the examination in either of the two strands: Accounting or Business Management. The following table outlines the various components of the public assessment of the subject in HKDSE:

Component	Accounting strand	Business Management strand	Weighting	Duration
Public Examination	Paper 1A Compulsory part	Paper 1B Compulsory part	25%	1 hour
	Paper 2A Elective part	Paper 2B Elective part	75%	2 hours 30 minutes

PUBLIC EXAMINATION

Paper 1 Compulsory part

Candidates will attempt either Paper 1A or 1B. Questions will be set on the compulsory part of the curriculum.

There will be two sections as follows:

	Paper 1A Accounting strand	Paper 1B Business Management strand	Weighting (25%)	Remarks
Section A	24 multiple-choice questions	24 multiple-choice questions	17%	All questions are compulsory.
Section B	3 short questions	3 short questions	8%	Same questions will be set for common topics in both strands.

Paper 2 Elective part

Candidates will attempt either Paper 2A or 2B. Questions will be set on the elective part of the curriculum.

There will be three sections as follows:

	Paper 2A Accounting strand	Paper 2B Business Management strand	Weighting (75%)	Remarks
Section A	4-5 short questions	5-6 short questions	33%	All questions are compulsory.
Section B	3 application problems	2 case studies	27%	
Section C	1 long question	1 essay question	15%	Answer one out of two questions.

LEVEL DESCRIPTORS

LEVEL 5

- ▶ Demonstrate comprehensive knowledge and understanding of **accounting functions and processes**
- ▶ **Apply accounting knowledge to unfamiliar situations** to tackle business problems and identify business opportunities
- ▶ **Synthesise and evaluate information** in the context of **business decisions**, taking into account the integrated and dynamic nature of business problems
- ▶ **Evaluate the effectiveness of responses** in personal finance and accounting to changes in business environment
- ▶ **Communicate** factual information, opinions and suggestions in a **logical and coherent manner** using a wide variety of **appropriate business terminology and presentation skills**

What is “Accounting”

Accounting is

- ▶ an **information system** used to collect, classify, and manipulate **financial data** about an enterprise and
- ▶ **communicating economic information** to permit **informed judgments and decisions** by users of the information.

Accounting is

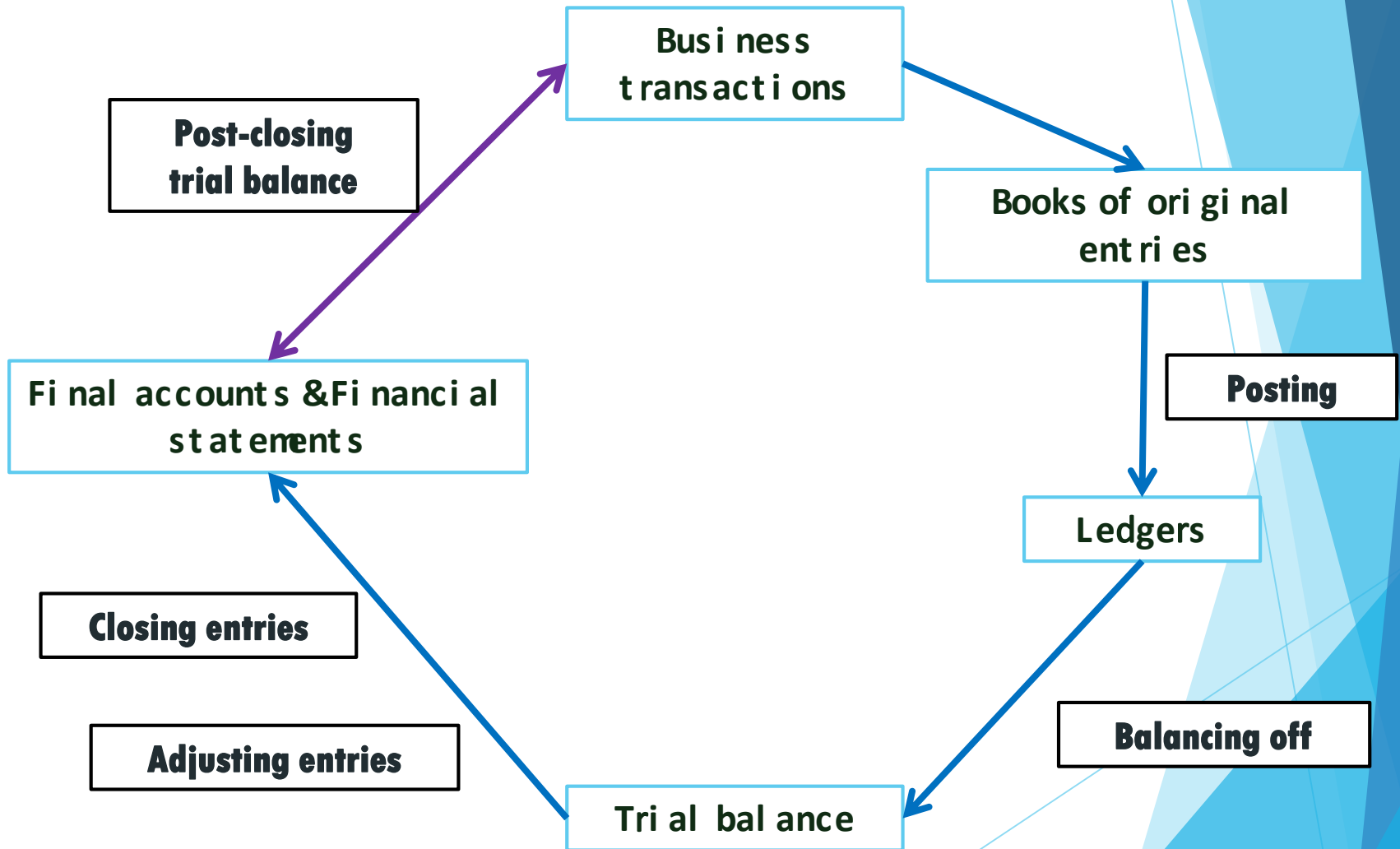
- ▶ a process of **identifying, analysing, classifying** and **recording** business transactions
- ▶ financial statements are then prepared and distributed to users periodically for **decision making**.

Do & Don't in Public Exam.

Candidates are advised:

- to familiarise with the **complete accounting cycle.**

Accounting cycle



Do & Don't in Public Exam.

Candidates are advised:

- to answer the questions using **appropriate formats.**

CASH BOOK

Cash Book

Date	Particulars	Folio	Discount \$	Cash \$	Bank \$	Date	Particulars	Folio	Discount \$	Cash \$	Bank \$

Question 6

(a)

Cash Book

	Discount \$	Cash \$	Bank \$		Discount \$	Cash \$	Bank \$
(i) Balance b/d		88,000		(i) Balance b/d			42,800
(v) Sales		645,000		(ii) Trade payable	28,000		740,000
(v) Cash			560,000	(iii) Operating expenses			360,000
(vi) Trade receivable	17,000		833,000	(iii) Selling and distribution expenses			200,000
				(iv) Salaries		48,000	
				(v) Drawings		60,000	
				(v) Operating expenses	9	25,000	

GENERAL JOURNAL

General Journal				
Date	Particulars	Folio	Debit \$	Credit \$

(a) General Journal				
			Dr \$	Cr \$
(i)	Inventory		4 250	
	Capital			4 250
(ii)	Capital		44 000	
	Unearned rental income			24 000
	Rental deposit from tenant			20 000

LEDGER ACCOUNTS

Bank							
Date	Particulars	Folio	\$	Date	Particulars	Folio	\$

Bank account							
2023			\$	2023			\$
Sep 30	Balance b/d		220	Sep 30	Suspense		1,820
	Rates		800		Drawings		5,000
	Trade payables - Ma		90		Trade receivables - Sit		2,000
	Dividends income		4,000		Management fee		1,850
	Balance c/d		5,560				
			<u>10,670</u>				<u>10,670</u>

INCOME STATEMENT

Sole proprietorship

Tom
Income statement
for the year ended 31 December 2022

	\$	\$
Sales		1,935,000
Less: Cost of goods sold		
Opening inventory	100,000	
Add: Purchases	830,000	
	930,000	
Less: Closing inventory	140,000	790,000
Gross profit		1,145,000
Add: Other revenue		
Discounts received		28,000
		1,173,000
Less: Expenses		
Discounts allowed	17,000	
Operating expenses	373,000	
Selling and distribution expenses	161,000	
Salaries	48,000	599,000
Net profit		574,000

INCOME STATEMENT

Partnership

**Alan, Ivan and Eric
Income statement
for the year ended 31 December 2022**

	\$	\$
Sales		
Less: Cost of goods sold		
Opening inventory		
Add: Purchases		
Less: Closing inventory		
Gross profit		
Add: Other revenue		
Discounts received		
Less: Expenses		
Discounts allowed		
Operating expenses		
Selling and distribution expenses		
Salaries		
Net profit		4,595,570
Add: Interest on drawings		
- Ivan	775	
- Ken	1,090	1,865
Less: Salaries to Ken	2,320,000	4,597,435
Interest on capital		
- Alan	XX	
- Ivan	XX	
- Ken	XX	2,320,000
		<u>2,277,435</u>
Share of residual profit		
Alan	759,145	
Ivan	759,145	
Ken	759,145	2,277,435
		<u>2,277,435</u>

INCOME STATEMENT

Limited company

Faith Limited

Income statement for the year ended 31 December 2022

	\$	\$
Sales		838,000
Less: Cost of goods sold		
Opening inventory	72,000	
Add: Purchases	234,300	
	306,300	
Less: Closing inventory	85,400	220,900
Gross profit		617,100
Less: Expenses		
Selling and distribution expenses	97,600	
Administrative expenses	288,200	
Finance costs	38,500	424,300
Net profit before tax		192,800
Less: Taxation		13,000
Net profit after tax		<u>179,800</u>

STATEMENT OF FINANCIAL POSITION

Sole proprietorship

Mr. Hope

Statement of financial position as at December 2022

ASSETS	\$	\$
<u>Non-current assets</u>		
Machinery, net		508,800
Motor vehicles, net		<u>763,200</u>
		1,272,000
<u>Current assets</u>		
Inventory	265,000	
Trade receivables	128,125	
Bank	<u>4,375</u>	<u>397,500</u>
		<u>1,669,500</u>
Financed by:		
<u>Capital</u>		
Capital introduced during the year		1,102,125
Add: Net profit for the year		<u>205,000</u>
		1,307,125
Less: Drawings		<u>2,000</u>
		<u>1,305,125</u>
Non-current liabilities		
Bank loan		198,750
<u>Current liabilities</u>		
Trade payables		<u>165,625</u>
		<u>1,669,500</u>

STATEMENT OF FINANCIAL POSITION

Partnership

Alan, Ivan and Eric Statement of financial position as at 1 January 2021

	\$	\$	\$
<u>Non-current assets</u>			
Buildings, net			5,600,000
Office furniture, net			88,000
Delivery trucks, net			<u>901,180</u>
			6,589,180
<u>Current assets</u>			
Inventory		711,000	
Trade receivables	184,400		
Less: Allowance for doubtful accounts	<u>9,220</u>	<u>175,180</u>	
		886,180	
Less: <u>Current liabilities</u>			
Trade payables	62,000		
Accrued interest expense	4,430		
Bank overdraft	<u>436,125</u>	<u>502,555</u>	
Net current assets			<u>383,625</u>
			<u>6,972,805</u>
Financed by:			
<u>Capital</u>			
- Alan		2,678,580	
- Ivan		910,600	
- Eric		<u>600,000</u>	4,189,180
<u>Current</u>			
- Alan		1,008,045	
- Ivan		<u>1,664,830</u>	2,672,875
			<u>6,862,055</u>
<u>Non-current liabilities</u>			
4% Loan from Ivan			<u>110,750</u>
			<u>6,972,805</u>

STATEMENT OF FINANCIAL POSITION

Limited company

Faith Limited

Statement of financial position as at 31 December 2022

ASSETS	\$	\$
<u>Non-current assets</u>		
Office equipment	1,096,000	
Less: Accumulated depreciation	<u>673,000</u>	423,000
<u>Current assets</u>		
Inventory	85,400	
Trade receivables	313,500	
Loan to a director	430,000	
Bank	<u>98,000</u>	926,900
		<u>1,349,900</u>
<u>EQUITY AND LIABILITIES</u>		
<u>Capital and reserves</u>		
Ordinary share capital		610,000
Retained profits		162,000
General reserve		<u>26,000</u>
		798,000
<u>Non-current liabilities</u>		
12% Debenture		350,000
<u>Current liabilities</u>		
Trade payables	135,400	
Tax payable (x)	25,000	
Unearned revenue	24,000	
Debenture interest payable	<u>17,500</u>	201,900
		<u>1,349,900</u>

Supplements

- ▶ T-form of income statement and statement of financial position are **NOT acceptable** starting from DSE 2026 .
- ▶ Statement of financial position **may be in any format:**
 1. $\text{Assets}(\text{NCA} + \text{CA}) = \text{Equity}(\text{E}) + \text{Liabilities}(\text{NCL} + \text{CL})$
 2. $\text{NCA} + (\text{CA} - \text{CL}) = \text{E} + \text{NCL}$
 3. $[\text{NCA} + (\text{CA} - \text{CL})] - \text{NCL} = \text{E}$

Do & Don't in Public Exam.

Candidates are advised:

- to read the question carefully, to understand the assumptions set in the questions, the timing and details of the transactions, so as to **understand the question requirements.**

Do & Don't in Public Exam.

Candidates are advised:

- to **present answers logically step-by-step** and
- **should not show figures only without descriptions,**
- so that the markers can follow the workings and award appropriate marks.
- Especially in costing questions.

Do & Don't in Public Exam.

- ▶ Do not **fail to write the correct corresponding ledger account names** as descriptions for entries in preparing ledger accounts.

Do & Don't in Public Exam.

- ▶ Candidates **MUST** use **the term(s) specifically identified in the question or stated in the requirement.**

Appendix 2 : Accounting Terminology

Except for term(s) specifically identified in the question or stated in the requirement, the following alternative accounting terminology will be accepted for marking purposes in the HKDSE Business, Accounting and Financial Studies examination.

附件二：會計詞彙

除了試題訂明或要求指定用語外，下列可互相替換的會計詞彙均為香港中學文憑考試企業、會計與財務概論科閱卷工作所接受。

Accounting Terminology Acceptable for the HKDSE BAFS Examination	
English	Chinese
Statement of financial position	財務狀況表

Do & Don't in Public Exam.




- ▶ **Do not use abbreviation & outdated terms.**

Not accepted abbreviation	不接受縮寫
Profit & loss, P&L, Depr. Exp., Acc. Depr.	承上、轉下
Not accepted outdated account names	不接受過時的會計/帳戶名稱
Balance sheet, Trade debtors, Trade creditors, Allowance for doubtful debts, Stock	資產負債表、 銷貨債務人、 購貨債權人

Teaching Materials

- **EDB Resource Banks – Curriculum Resource:**
<https://www.edb.gov.hk/tc/curriculum-development/kla/technology-edu/resources/business-edu/resources.html>
- **HKEAA Subject information:**
https://www.hkeaa.edu.hk/tc/hkdse/assessment/subject_information/category_a_subjects/hkdse_subj.html?A2&2&6_5
- **HKAS & HKFRS issued by HKICPA:**
<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Members-Handbook-and-Due-Process/HandBook/Volume-II--Financial-Reporting-Standards/Index>
- **HKABE:** <https://hkabe.org/hkabe/>

Costing

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Cost Classification, Concepts and Terminology	(i) Explain the general nature of cost accounting and its importance for financial decision-making.	
	(ii) Distinguish between direct and indirect costs, fixed and variable costs, and factory and administrative overheads.	
Marginal and Absorption Costing	(i) Prepare income statement under <u>marginal</u> and absorption costing. 	<ul style="list-style-type: none"> - Students are only expected to apply weighted average cost for the costing of inventory - Reconciliation of profit/loss under the two methods is not required - Over and under-absorption of overheads is to be charged to cost of goods sold
	(ii) Compare the advantages and disadvantages of adopting marginal and absorption costing.	
Cost Accounting for Decision-making	(i) Identify the nature of various cost items and their relevance to decision-making: sunk costs, incremental costs and opportunity costs.	
	(ii) Apply costing concepts and techniques in business decisions e.g. 'hire, make or buy', 'accept or reject an order at a special price', 'retain or replace equipment', 'sell or process further', and 'eliminate or retain an unprofitable segment'. 	<ul style="list-style-type: none"> - Joint product costing is not required
	(iii) Conduct cost-volume-profit analysis to assess the effects of changes in costs, selling price and units sold on the breakeven point and target profit. 	<ul style="list-style-type: none"> - Calculation of margin of safety is required - CVP analysis for multiple products is required - The involvement of limiting factors is required - Graphical presentation is not required

THE END