

1. SP.MC.Q17

Which of the following are required to join a Mandatory Provident Fund (MPF) scheme in Hong Kong?

- (1) Self-employed hawkers
 - (2) A sole proprietor, or partner of a partnership type business
 - (3) People from overseas who work for a 2-year contract as domestic helpers
 - (4) People aged between 18 and 65 working under an employment contract for a continuous period of not less than 60 days on a part-time basis
- A. (1) and (3) only
 B. (2) and (3) only
 C. (2) and (4) only
 D. (4) only

2. PP.MC.Q13 [Modified]

In the life-cycle context, which of the following is the major financial need of retired people?

- A. create and accumulate wealth
- B. insure on earning ability
- C. arrange for children's educational fees
- D. plan for medical expenses

3. 2012.MC.Q5

Which of the following types of employee is exempted from joining the Mandatory Provident Fund scheme?

- A. construction workers
- B. security guards
- C. catering workers
- D. domestic employees

4. 2012.MC.Q9

On the first day of 2012, Johnny deposited \$6000 into a fixed-interest bank account. Suppose the interest rate on the deposit is 4% per annum compounded annually, find out (to the nearest dollar) the total amount Johnny could withdraw at the end of 2014.

- A. \$6480
- B. \$6720
- C. \$6749
- D. \$7019

5. 2012.MC.Q21

Which of the following client information is the least relevant factor for a bank to reject a client's application for a credit card?

- A. record of repayment
- B. degree of loyalty to the bank
- C. level of outstanding debts
- D. record of bankruptcy

多項選擇題答案 Answers to Multiple Choice Questions

1.	C	11.	D (58)	21.	B (74)	31.	C (64)	41.	A (70)	51.	
2.	D	12.	D (78)	22.	D (60)	32.	B (30)	42.	B (62)	52.	
3.	D (74)	13.	A (52)	23.	D (66)	33.	A (74)	43.	D (50)	53.	
4.	C (71)	14.	C (70)	24.	C (62)	34.	D (66)	44.	C (61)	54.	
5.	B (84)	15.	D (95)	25.	C (35)	35.	B (30)	45.	A (57)	55.	
6.	A (73)	16.	B (67)	26.	B (90)	36.	D (55)	46.	C (51)	56.	
7.	B (82)	17.	A (59)	27.	B (55)	37.	D (61)	47.	D (48)	57.	
8.	C (63)	18.	D (81)	28.	A (56)	38.	D (38)	48.	A (43)	58.	
9.	C (41)	19.	A (70)	29.	A (60)	39.	C (65)	49.	B (56)	59.	
10.	A (57)	20.	D (58)	30.	D (57)	40.	B (51)	50.	D (19)	60.	

6. 2012.MC.Q26

The effective rate of return on a time deposit is raised if

- A. the frequency of compounding is higher.
- B. the principal is larger.
- C. the period of deposit is shorter.
- D. the cost of capital is lower.

7. 2013.MC.Q6 [Modified A &D]

Which of the following statements is correct?

- A. Ordinary shareholders have voting right in board of directors' meetings.
- B. An investment instrument with a higher risk may yield a higher return.
- C. Market risk can be avoided by investing in various financial products.
- D. Investment in preference shares is more risky than in the ordinary shares of a company.

8. 2013.MC.Q15

A bank launches the following saving plans:

	Plan I	Plan II	Plan III
Interest rate	5% per annum	5.5% per annum	6% per annum
Frequency of interest compounding	quarterly	Half-yearly	yearly

Which plan(s) offer(s) the highest return after two years?

- A. Plan I
- B. Plan II
- C. Plan III
- D. Plan I and Plan III

9. 2014.MC.Q4

Which of the following statements about the Mandatory Provident Fund (MPF) system is correct?

- A. Self-employed persons are not required to enrol in an MPF scheme.
- B. Employees covered by the MPF system are required to contribute 5% of their income.
- C. Employees can choose to make extra voluntary contributions in addition to the regular mandatory contributions.
- D. MPF scheme members can withdraw their accrued benefits when they reach the age of 60.

10. 2014.MC.Q8

Which of the following statements about credit cards are correct?

- (1) A credit limit is set.
 - (2) A minimum payment is set for the outstanding balance.
 - (3) Interest will not be charged on the remaining balance if the minimum payment is made before the due date.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only

D. (1), (2) and (3)

11. 2014.MC.Q13

Elsa plans to use the net present value to decide whether to buy a piece of office equipment. Which of the following pieces of information does she need to make the decision?

- (1) Cost of capital
 - (2) Cashflows arising from the acquisition and use of the office equipment
 - (3) Scrap value of the office equipment at the end of its useful life
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

12. 2014.MC.Q27

Which of the following financial products carries the highest investment risk?

- A. Saving deposits
- B. Time deposits
- C. Preference shares
- D. Ordinary shares

13. 2014.MC.Q28

Maintain a good personal credit record is important because it will _____.

- (1) Lower the cost of loans
 - (2) Increase the chance of getting loans
 - (3) Increase the upper limit of 70% on mortgage loans from banks.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

14. 2015.MC.Q8

Mr Cheung plans to buy a residential property. Which of the following types of credit arrangement is most appropriate for him?

- A. credit card
- B. personal loan
- C. mortgage loan
- D. bank overdraft

15. 2015.MC.Q17

On 1 January 2014, Mr Wong deposited \$ 500 000 into a saving plan which offers a return of 5% per year, compounded annually. The total amount of money Mr Wong will get from the plan after 3 years is _____ (to the nearest dollar).

- A. \$431 919
- B. \$525 000
- C. \$551 250
- D. \$578 813

16. 2015.MC.Q20

Under which of the following circumstances can be a scheme member withdraw the accrued benefits from the Mandatory Provident Fund scheme?

- (1) Early retirement at the age 60
- (2) Unemployed for more than 6 months
- (3) Permanent departure from Hong Kong

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

17. 2015.MC.Q28

Which of the following are the responsibilities of an individual investor?

- (1) understand the terms before signing a contract
- (2) check account statements from time to time
- (3) attend the Annual General Meeting of the company invested in

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

18. 2016.MC.Q4

Anna has just retired at the age 65 and has received a substantial amount from a provident fund. She plans to invest the money to get some return but she is not willing to take high risks. Which of the following financial instruments is the **least** suitable for her?

- A. term deposits
- B. saving deposits
- C. iBond
- D. shares

19. 2016.MC.Q9

A credit card user

- (1) can buy goods and services overseas with a credit card issued in Hong Kong.
- (2) can settle the whole outstanding balance of the statement by the due date in order to avoid interest charges.
- (3) Can enjoy a lower interest rate to settle the overdue credit card balance than for a personal loan.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

20. 2016.MC.Q14

A bank offers a saving plan which requires an initial deposit of \$100 000. The plan generates the following cash flows at the end of subsequent years:

	\$
Year 1	20 000
Year 2	35 000
Year 3	55 000

Given a discount rate of 5% p.a., what is the net present value of the saving plan?

- A. \$10 000
- B. \$9523.81
- C. \$4761.90
- D. -\$1695.28

21. 2016.MC.Q19

Peter wants to deposit \$500 000 in a bank for half a year. The bank offers him the following saving plans.

Which plan offers the highest return?

- A. a lump sum interest of \$6000 at the end of half a year.
- B. an interest rate of 2.4% p.a., compounding quarterly.
- C. an interest rate of 2.4% p.a., compounding half-yearly.
- D. an interest rate of 2.4% p.a., compounding annually.

22. 2016.MC.Q25

Simon is a self-employed fashion designer. He

- (1) has the right not to enrol into an Mandatory Provident Fund (MPF) scheme.
 - (2) has the right to make voluntary contributions to the MPF scheme.
 - (3) has the right to withdraw his accrued benefits from the MPF scheme before reaching the age 65 if he migrates to another country.
- A. (1) only
B. (2) only
C. (3) only
D. (2) and (3) only

23. 2016.MC.Q27

Compared with the Main Board's basic listing requirements,

- the operating history requirement for Growth Enterprise Market applicants is (1).
 - the market capitalisation requirement for Growth Enterprise Market applicants is (2).
- | | | |
|----|------------|------------|
| | <u>(1)</u> | <u>(2)</u> |
| A. | looser | stricter |
| B. | stricter | looser |
| C. | stricter | stricter |
| D. | looser | looser |

24. 2017.MC.Q3

Which of the following statements about Hang Seng Index is **not** correct?

- A. Its sub-indexes are: Finance, Utilities, Properties, and Commerce and Industry.
- B. It measures the performance of the largest and most liquid companies listed in Hong Kong.
- C. It includes 50 stocks listed on the Growth Enterprise Market.
- D. It serves as a benchmark of the general performance of the Hong Kong stock market

25. 2017.MC.Q7

Anna is 62 years old and works as a part-time consultant in a firm, with a monthly salary of \$40 000. Under the Mandatory Provident Fund System, what will be the amount Anna contributes each month?

- A. \$4000
- B. \$2000
- C. \$1500
- D. \$0

26. 2017.MC.Q10

Mr Lee is going to deposit an amount into a savings account with interest of 7% per year, compounded annually. He wants to receive a sum of \$150 000 from the account after 3 years. How much should he put into the savings account now?

- A. \$120 654
- B. \$122 445
- C. \$131 016
- D. \$183 756

27. 2017.MC.Q13

If the nominal rate of return remains unchanged, which of the following statements about the effective rate of return are correct?

- (1) Effective rate of return reflects the actual return on an investment.
- (2) Effective rate of return will be higher if the amount of the principal increases.
- (3) Effective rate of return will be higher if the frequency of compounding increases.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

28. 2017.MC.Q17

The following are the basic listing requirements for new applicants to list their stocks on the Main Board of the Stock Exchange of Hong Kong except _____.

- A. size of workforce
- B. amount of cash flow
- C. history of operation
- D. profit attributable to shareholders

29. 2017.MC.Q23

Which of the following are the benefits for a borrower of maintain a good personal credit record?

- (1) Lower interest rate on personal loan
 - (2) Higher credit limit
 - (3) Better terms when opening a term deposit account
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

30. 2017.MC.Q26

Which of the following will affect the share price of a listed company selling motorcars?

- (1) fuel price
- (2) interest rate
- (3) dividend policy of the company

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

31. 2018.MC.Q3

If the Hang Seng Index (HSI) rose by 10% during the past month, it means that _____ during the past month.

- (1) the HSI-Commerce & Industry rose by 10%
- (2) the turnover of the HIS constituent stock increased by 10%
- (3) the market prices of HSI constituent stocks rose in general

- A. (1) only
- B. (2) only
- C. (3) only
- D. (2) and (3) only

32. 2018.MC.Q13

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
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

33. 2018.MC.Q15

Mr Lee wants to buy a car 3 years later. Its price is \$500 000 now and is expected to increase by 3% per annum. To pay for the car after 3 years, he is considering investing in a fund with a return of 5% per annum, compounded annually. How much should he invest in the fund now?

- A. \$471 969
- B. \$490 476
- C. \$509 709
- D. \$529 695

34. 2018.MC.Q19

Which of the following are required in the calculation of the net present value of investing in a machine?

- (1) initial cost of the machine
- (2) scrap value of the machine
- (3) useful life of the machine

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

35. 2018.MC.Q22

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

- A. cash flow
- B. profit
- C. operating history
- D. market capitalisation

36. 2018.MC.Q25

Which of the following statements about risk and return is correct?

- A. Market risk can be diversified.
- B. High-risk financial products must have high returns.
- C. Risk-averse investors usually prefer investing in bonds to making term deposits.
- D. Conservative retired persons usually prefer investing in bonds to stocks.

37. 2018.MC.Q30

Which of the following statements about the Mandatory Provident Funds is correct?

- A. Self-employed person aged between 16 and 65 are required to join the MPF scheme.
- B. Construction workers are exempted from the MPF scheme.
- C. MPF scheme members can apply for early withdrawal of the accrued benefits from the MPF Scheme if they are unemployed for more than two years.
- D. When changing jobs, MPF scheme members can transfer their accrued benefits to another MPF trustee.

38. 2019.MC.Q8

Paul has taken out a 3-year personal loan of \$100 000 at an annual interest rate of 12%, compounded monthly. Which of the following statements is/are correct?

- (1) The annual nominal interest rate of the loan is 12%.
- (2) The annual effective interest rate of the loan is higher than 12%.
- (3) In general, the interest rate of a personal loan is lower than that for a credit card.

- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

39. 2019.MC.Q15

Which of the following statements about the basic requirements for new applicants of listing on the Main Board is/are correct?

- (1) Applicants must fulfil the requirement in operating history.
- (2) Applicants must be multinational corporations.
- (3) Applicants must meet one of the following criteria: the profit test, the market capitalization/revenue test, or the market capitalisation/revenue/cash flow test.

- A. (1) only
- B. (2) only
- C. (1) and (3) only
- D. (1), (2) and (3)

40. 2019.MC.Q18

Tracy, aged 35, set up a dessert shop as a sole proprietor in 2015. Since then, she has employed Betty, aged 30, as a part-time helper at a monthly salary of \$5 000. Which of the following statements about the Mandatory Provident Fund (MPF) Scheme is/are correct?

- (1) Tracy needs to enrol herself into an MPF scheme.
- (2) Tracy needs to enrol Betty into an MPF scheme and make mandatory contribution for her.
- (3) Betty needs to make mandatory contribution to the MPF Scheme.

- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

41. 2019.MC.Q20

Which of the following statements about the risks and returns of investments is/are correct?

- (1) Investing in stocks of companies from different industries can diversify firm-specific risk.
- (2) Making a deposit into a savings account is risk free.
- (3) Investors can get capital gains and dividends as returns for investing in bonds.

- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

42. 2019.MC.Q24

Which of the following statements about the Hang Seng Index is correct?

- A. It is comprised of 60 constituent stocks.
- B. All of its constituent stocks are listed on the Main Board of the Stock Exchange of Hong Kong
- C. It reflects the performance of the stock market in the Asia-Pacific region.
- D. 'Information technology' is one of the sub-indexes.

43. 2019.MC.Q26

Which of the following statements about credit cards are correct?

- (1) They have a pre-approved credit limit.
- (2) They have a payment due date.
- (3) There is a monthly minimum payment for its outstanding balance

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

44. 2019.MC.Q29

On 1 April 2019, Yan deposited \$3 000 into a savings plan with an interest rate of 1% per year, compounded annually. If Yan deposits the same amount into the savings plan on 1 April every year, what is the account balance of Yan's savings plan as at 31 March 2022?

- A. \$3 901
- B. \$9 090
- C. \$9 181
- D. \$9 273

45. 2020.MC.Q4

Which of the following descriptions of the Hang Seng Index is/are correct?

- (1) 'Utilities' is a sub-index of the Hang Seng Index.
- (2) It indicates the dividend policies of the companies of the constituent stocks.
- (3) It is a platform for businesses to raise capital.

- A. (1) only
- B. (1) and (2) only
- C. (1) and (3) only
- D. (2) and (3) only

46. 2020.MC.Q8

The following information is related to an investment project:

- Initial cost: \$15 000
- Discount rate: 10%
- Investment period: 3 years

The project will generate cash flows of \$6 000 at the end of both Year 1 and Year 2. If the cash flow at the end of Year 3 is _____, the net present value of the project is close to zero.

- A. 4 587
- B. 5 083
- C. 6 105
- D. 7 965

47. 2020.MC.Q15

Ignore other factors, which of the following will lead to a decrease in the share price of a listed airline company?

- (1) A rise in interest rate
- (2) A rise in fuel price
- (3) The airline company issued a profit warning

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

48. 2020.MC.Q19

Which of the following are the rights of an investor in debentures?

- (1) Can lodge a complaint if there is a misconduct by the investment agent
- (2) Can ask for the rationale behind an investment recommendation
- (3) Can cancel the investment transaction in the cooling off period

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

49. 2020.MC.Q25

Which of the following statements about the Mandatory Provident Fund (MPF) System is/are correct?

- (1) Employees can transfer the accrued benefits in their contribution accounts to an MPF scheme of their own choice once a year.
- (2) Self-employed hawkers are not required to join an MPF scheme.
- (3) If the income of an employee is below the minimum relevant income level, both the employee and the employer are not required to make mandatory contribution.

- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

50. 2020.MC.Q28

Which of the following descriptions of the Main Board and GEM (previously known as Growth Enterprise Market) are correct?

- (1) More companies are listed on the Main Board than on GEM.
- (2) 'Management continuity for at least the three preceding fiscal years' is one of the basic listing requirements for applicants to list on the Main Board.
- (3) The Main Board was set up for large and established companies.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

51. 2021.MC.Q4

Mandy is considering investing in a 3-year project with the following details:

	<u>Cash inflows/(outflows)</u>
Beginning of Year 1	(70 000)
Beginning of Year 2	25 000
Beginning of Year 3	35 000

The scrap value at the end of the project is \$20 000. The discount rate is 5% per annum. What is the net present value of the project?

- A. -\$14 445
- B. \$187
- C. \$2 832
- D. \$3 520

52. 2021.MC.Q10

Which of the following is a difference between a bank overdraft and a personal loan?

	<u>Bank overdraft</u>	<u>Personal loan</u>
A. Interest rate	lower	higher
B. Repayment arrangement	flexible	fixed
C. Pre-approved credit limit	no	yes
D. Monthly minimum payment	yes	no

53. 2021.MC.Q14

Which of the following will have an adverse impact on the credit rating of a person?

- (1) A person has a bankruptcy record.
- (2) A person failed to meet the loan repayment schedule before.
- (3) A person has been unemployed for more than 1 year.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

54. 2021.MC.Q20

Which of the following statements about the Mandatory Provident Fund (MPF) System is/are correct?

- (1) Employees can make voluntary contributions in addition to Mandatory contributions to the MPF scheme.
- (2) Mr Lam is a 68-year old taxi driver with a monthly income of \$10 000. He is required to contribute \$500 each month to the MPF scheme.
- (3) Mr Chan is a self-employed hawker who earned a net income of \$120 000 last year. He was required to contribute \$6 000 to the MPF scheme.

- A. (1) only
- B. (1) and (2) only
- C. (1) and (3) only
- D. (2) and (3) only

55. 2021.MC.Q23

Which of the following statements about debentures are correct?

- (1) Investors with lower risk tolerance level usually prefer investing in debentures to stocks.
- (2) Debenture holders will receive higher interest if the market interest rate increases.
- (3) Repayment of principal is made to debenture holders on the maturity date.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

56. 2021.MC.Q27

Ben has just retired. He wants to invest his provident fund to earn a stable income. Which of the following financial instruments is most suitable to him?

- A. constituent stock of the Hang Seng Index
- B. stocks listed on GEM
- C. term deposits
- D. savings deposits

57. 2021.MC.Q30

Assuming the interest on an investment project is compounded semi-annually, which of the following statements about its nominal rate of return and effective rate of return are correct?

- (1) The effective rate of return of the project is higher than its nominal rate of return.
- (2) The effective rate of return of the project will be higher if its interest is compounded quarterly instead.
- (3) The effective rate of return of the project will be lower if the investment amount is lower.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

The following questions are out-of-syllabus:

- PP.Q3 – TVM Annuity
- PP.Q4(a) – Third-liner vs. blue-chips
- 2015.Q3(b) – Investment compensation fund

1. SP.Q4(i)(ii)

Mr Lee retired two years ago and has kept the \$1 000 000 retirement fund in the form of a fixed deposit at an interest rate of 4.5% per annum. His friend suggests that investment in other financial products may yield a higher return.

- (i) Name three types of financial products available in the Hong Kong securities market (3 marks) that Mr Chan might consider.
- (ii) Explain two factors Mr Lee should consider in deciding whether to invest in other (4 marks) financial products instead of keeping the entire amount in a fixed deposit.

2. SP.Q5

Mr Wong is going to buy a flat for residential purpose. The cash price for the flat is \$1 380 000. The following are two of the financing proposals:

Proposal 1 Borrow a personal loan of \$1 380 000 from a bank on 1 January 20X7, repayable by a lump sum of \$2 000 000 at the end of 20X9.

Proposal 2 Purchase the property from the developer by instalments as follows:

Deposit, payable on 1 January 20X7	\$600 000
Instalments, payable at end of 20X7	500 000
end of 20X8	400 000
end of 20X9	<u>300 000</u>
	<u>\$1 800 000</u>

The cost of capital is 10% per annum.

- (a) Based on the financial information given, calculate (to the nearest dollar) the present value of Proposal 1 and Proposal 2. (5 marks)
- (b) Advise Mr. Wong which financing proposal he should adopt. (2 marks)

3. PP.Q4(b) [Modified]

Mr Lam plans to use all of his savings to buy shares listed on the Hong Kong Stock Exchange. His friend suggests him to diversify risk by switching some of his investment to shares listed on the Tokyo Stock Exchange.

(c) Which type of financial risk cannot be avoided even if Mr Lam shifts part of his investment to shares listed on the Tokyo Stock Exchange? Explain.

(2 marks)

4. 2012.Q3(a)(b)

Mr Au is an inexperienced investor and majority of his investments are in the shares of a single company. His son suggests that he should switch part of his investments to a mutual fund or other less risky financial instruments with stable returns.

(a) Briefly explain one purpose that Mr Au could achieve through investing in a mutual fund. (2 marks)

(b) List two less risky financial instruments with stable returns for Mr Au. (2 marks)

5. 2013.Q1

(a) Many people are using credit card to purchase goods and services. Explain two benefits for customers of using credit card.

(4 marks)

(b) Explain one reason why credit card companies are more willing to issue credit cards to applicants with good personal credit records.

(2 marks)

6. 2014.Q4(a)(b)

Tom plans to get married and buy a flat three years later. The budgeted price of the flat is \$3 000 000. The down payment will be 30% of the flat's price. To save up for the down payment, Tom decides to make a time deposit in a bank.

(a) If the bank offers an annual interest rate of 2% for the time deposits, how much money does Tom have to deposit today? (Note: Interest is compounded annually. Correct all amounts to the nearest dollar.) (2 marks)

(b) A friend of Tom advises him to invest the sum of money in securities for higher return. Given that Tom needs the amount three years later for the down payment on the flat, would you advise him to invest in government bonds or ordinary shares? Explain why. (3 marks)

7. 2015.Q3(a)

Calvin is a retail investor. He invested \$200 000 to buy shares listed on the Hong Kong Stock Exchange through a licensed stockbroker in Hong Kong.

(a) Explain two ways in which investing in shares might benefit an investor. (4 marks)

8. 2016.Q2

(a) Explain how the share price of a property development company in Hong Kong changes in a booming local economy. (3 marks)

(b) Suggest two ways in which investors can use the Hang Seng Index to make investment decisions. (4 marks)

9. 2017.Q2

Mary has just retired and received her retirement fund. A financial planner advised her to invest the retirement fund in various financial instruments.

(a) Explain two of Mary's financial needs after her retirements. (4 marks)

(b) As an investor, what responsibilities does Mary have? List any two. (2 marks)

10. 2018.Q3(a)

Darwin Limited is a listed company, running a department store business with five stores of a similar size in Hong Kong.

(a) Ignoring other factors, explain how each of the following two policies may affect the share price of Darwin Limited: (4 marks)

(i) The generous dividend policy of the company

(ii) The mainland government limits the number of visits to Hong Kong per week by its residents

11. 2019.Q2(a)

(a) Johnny has just graduated from university. His teacher reminded him to maintain a good personal credit record.

Give two factors which could affect Johnny's personal credit record. Explain how each of the factors would affect his personal credit record. (4 marks)

12. 2020.Q3

David is 30 years old and single. He is a professional accountant working in an international accounting firm. He has just acquired a residential flat and paid a down payment on the price of the flat. To buy furniture for his new home, he is considering using his credit card, applying for a personal loan or a bank overdraft.

- (a) What is a 'bank overdraft'? (2 marks)
- (b) Suppose David has decided to use a credit card to pay for the furniture. Give two reasons for using his credit card instead of applying a personal loan. (4 marks)
- (c) List two financial needs that David has in his present life stage. (2 marks)

BAFS Compulsory Part

Personal Financial Management – Past exam papers Answers

1. SP.Q4(i)(ii)

(i)

Types

- Shares
- Bonds
- Commercial papers or other notes
- Derivatives, e.g. futures, warrants and options
- Funds

(1 mark for each relevant type, max. 3 marks)

(ii)

Factors:

- Expected return, e.g. dividend or coupon rate of the financial product(s)
- Risk-bearing ability, e.g. ability to suffer capital loss
- Liquidity of the financial product(s)
- Time and effort involved in monitoring the investment

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

2. SP.Q5

(a) PV of Proposal 1

$$\$2\,000\,000 \div (1.1)^3 = \$1\,502\,630$$

2

PV of Proposal 2

<u>Year</u>	<u>Calculation (\$)</u>	<u>PV (\$)</u>
Beginning of 20X7	600 000	600 000
End of 20X7	500 000 ÷ (1.1)	454 545
End of 20X8	400 000 ÷ (1.1) ²	330 579
End of 20X9	300 000 ÷ (1.1) ³	225 394
		<u>1 610 518</u>

3

(b) Mr Wong should adopt Proposal 1 because its time-weighted cost is lower than that of Proposal 2. 2

Total: 7 marks

3. PP.Q4(b) [Modified]

market risk

affected by overall financial market which is uncontrollable

4. 2012.Q3(a)

(a)

Purposes:

- Risk diversified
- Simplified assets management

(2 marks for each relevant purpose, max. 2 marks)

(b)

Suggestions:

- Fixed time deposit
- Government bonds
- Exchange fund bills

(1 mark for each relevant suggestion, max. 2 marks)

5. 2013.Q1

(a) Benefits:

- Defer payment: e.g. can purchase goods or services without paying cash instantly
- Safety: e.g. do not need to carry large amounts of cash
- Convenience: e.g. worldwide acceptance
- Privileges: e.g. can enjoy discounts or special gifts

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

(b) Reasons:

- Higher chance of collecting debt on time
- Lower default risk

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

6. 2014.Q4(a)(b)

(a)

Present value = $(\$3\,000\,000 \times 30\%) / (1.02)^3 = \underline{\underline{\$848\,090}}$ 2

(b)

Government bonds 1

Lower investment risk with higher certainty of achieving the required amount 1

- Tom will receive fixed income during the 3 years to achieve the target return Max. 1

- Tom will get back the principal if he buys a bond that will mature in 3 years

- Dividends of ordinary shares are not obligatory not may vary between years and hence the target return cannot be guaranteed

- Share prices fluctuate and Tom may incur capital loss when the shares are sold three years later

(1 mark for each relevant point, max. 1 mark)

7. 2015.Q3(a)

Benefits:

- Capital gain through the price appreciation of the shares
- Investment income through share dividend
- Voting rights that can affect company management

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

8. 2016.Q2

(a) Its share price will increase

because

- personal income increases
- people are more willing to buy/invest in property
- the profitability of the property development company increases

(1 mark for each relevant elaboration, maximum 2 marks)

(b) Ways:

- assess the general performance of shares listed in Hong Kong
- compare performance of the Hong Kong stock market over time
- compare performance among different stock markets

(2 mark for each relevant way, maximum 4 marks)

6 marks

9. 2017.Q2

(a) Financial needs:

- 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)

4

(b) Responsibilities:

- 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)

2

6 marks

10. 2018.Q3(a)

- (a)(i) Generous dividend policy: 2
 - shareholders could have higher returns/ are more optimistic regarding the prospects of the company. This would attract more people to buy the company shares, which would lead to an increase in the share price
- (ii) Limit the number of visits to Hong Kong: 2
 - sales to visitors will be reduced, the profitability of the company will be lowered, shareholders will sell the shares of the company which will lead to a drop in the share price.

(a)(i) Generous dividend policy

- Higher returns / more optimistic / higher confident
 - Attract more investment / More people want to buy the shares of Darwin Limited.
- (Any 1 of the above elements).**
- +
- Share price will increase → 1 mark

1. Describing any change of the share price of Darwin Limited WITHOUT explanation → "0"
2. Share price **will increase** because:
- 2.1 the company is willing to pay dividend. (No further explanation) → "0"
- 2.2 it can protect the benefit of the shareholders → "0"
- 2.3 the investors can get more dividend → "0"
- 2.4 the company will have a better reputation when it pays more dividend / interest rate. → "0"

(ii) Limit the number of visits to Hong Kong

- Number of customers will decrease / sales to customers / revenue will decrease
 - Lower profitability / more pessimistic / shareholders sell the shares
- (Any 1 of the above elements).**
- +
- Share price will decrease → 1 mark

1. Describing any change of the share price of Darwin Limited WITHOUT explanation → "0"
2. Share price **will decrease** because:
- 2.1 Less visitors → less shopping → business is worsen → "2"
- 2.2 Less visitors → revenue may decrease → "1"

11. 2019.Q2(a)

- (a) Factors: 4
- repayment history / delinquency record: e.g. if Johnny had repaid past loans on time, his personal credit record would be better
 - record of bankruptcy: e.g. if Johnny had been bankrupt at an earlier time, his personal credit record would be worse
 - credit history: e.g. if Johnny had applied for credit successfully in the past and his usage of credit was appropriate, his personal credit record would be better
 - financial situations: e.g. if Johnny's current outstanding debt amount is low, his personal credit record would be better
- (2 marks for each relevant factor, max. 4 marks)

- should state the relevant **factor** and make **relevant explanation** 1+1
- should explain **how** the factor affect his personal credit record
- ✓ Credit history 信貸紀錄: 一次或短時間內申請了多張信用卡
- × income level 工作收入
- × economic ability 經濟能力
- × personal characters 個人品格
- × owns many credit cards 擁有多張信用卡
- × poor record 不良紀錄

12. 2020.Q3

- (a) Bank overdraft: 1
 - a kind of short-term loan 1
 - the amount withdrawn from bank account is higher than the account balance
- (b) Reasons: 4
 - readily available: no need to apply every time
 - flexible repayment arrangements: payment can be made according to his financial position
 - no interest charge if the amount is repaid before the payment due date
 (2 marks for each relevant reason, max. 4 marks)
- (c) Financial needs: 2
 - savings for marriage
 - savings for education / training
 - mortgage loan repayment
 (1 mark for each relevant financial need, max. 2 marks)

營商環境 答案 Business Environment Answers

1.	C	11.	C (66%)	21.	D (37%)	31.	A (76%)	41.	C (41%)	51.	C (63%)
2.	A	12.	D (62%)	22.	B (80%)	32.	C (42%)	42.	A (48%)	52.	A (72%)
3.	B	13.	A (89%)	23.	**	33.	C (54%)	43.	A (61%)	53.	D (66%)
4.	D	14.	D (67%)	24.	D(25%)	34.	A (82%)	44.	A (76%)	54.	D (75%)
5.	D	15.	C (85%)	25.	B (89%)	35.	B (61%)	45.	D (67%)	55.	
6.	D	16.	A (49%)	26.	B (39%)	36.	D (61%)	46.	A (48%)	56.	
7.	B	17.	A (83%)	27.	C (62%)	37.	C (82%)	47.	D (75%)	57.	
8.	C	18.	C (91%)	28.	B (51%)	38.	C (47%)	48.	A (55%)	58.	
9.	B (out-syl)	19.	A (71%)	29.	B (50%)	39.	A (93%)	49.	A (54%)	59.	
10.	D (78%)	20.	B (54%)	30.	C (41%)	40.	C (79%)	50.	C (63%)	60.	

**Deleted.