

Note: Rights of preference share holder & limited liability partnership (LLP) is not tested in HKDSE.

1. 2009.MC.Q20 (Modified)

When a public limited company is liquidated, among the ordinary shareholders, preference shareholders, debenture holders, and employees of the company, the _____ have the first priority to claim back _____.

- A. Ordinary shareholders ... the money they invested in the company
- ~~B. Preference shareholders ... the money they invested in the company~~
- C. Debenture holders ... the money they loaned to the company
- D. Employees ... their salaries in arrears

2. 2009.MC.Q21

Mr. Lee, a sole proprietor, expands his business by forming a general partnership with Mr. Chan. As a result,

- A. their liability to the firm is confined to their investment in the firm.
- B. they have to share profits equally.
- C. each of them has to be responsible for the business decisions of his partner.
- D. they can issue shares to raise capital.

3. 2009.MC.Q22

From the viewpoint of investors, which of the following is an advantage of buying ordinary shares over debentures?

- A. The return of ordinary shares is higher than that of debentures.
- B. The market price of ordinary shares may increase while that of debentures is fixed.
- C. Ordinary shareholders invest in the company at a lower risk than debenture holders.
- D. Ordinary shareholders have voting rights in annual general meetings while debenture holders do not.

4. 2009.MC.Q23

After the 2008 stock market crash, some listed companies in Hong Kong proposed privatizing their companies. If a listed company is privatized and turns into a private limited company,

- A. The company is not a legal entity any more.
- B. The firm's size will be reduced.
- C. The company can enjoy a lower profits tax rate.
- D. The risks of being taken over will be reduced.

5. 2009.MC.Q24

The integration of the MTR Corporation Limited (MTR) and the Kowloon-Canton Railway Corporation (KCR) is an example of _____ with the advantage of _____.

- A. horizontal integration ... ensuring a steady supply of raw materials for production
- B. vertical integration ... lowering the production cost
- C. lateral integration ... economies of scale
- D. conglomerate integration ... making more efficient use of resources

6. 2010.MC.Q22

Which one of the following statements about a private limited company is correct?

- A. The shares issued by the company are traded on the stock market.
- B. The transfer of ownership needs the consent of other shareholders.
- C. It has to disclose its financial information to the public.
- D. It is subject to a lower profits tax rate than a public limited company.

7. 2010.MC.Q23

Which one of the following statements about the ordinary shareholders of a limited company is correct?

- A. They are the creditors of the company.
- B. They have voting rights in the Board of Directors' meetings.
- C. They receive dividends at a rate that is not fixed.
- ~~D. They receive dividends at a higher rate than the preference shareholders.~~

8. 2010.MC.Q24

When a bakery takes over a flour producing factory, the former has the advantage of

- A. ensuring a market outlet of its products.
- B. enlarging the market share.
- C. ensuring a steady supply of raw materials.
- D. diversifying the market.

9. 2011.MC.Q22

If a listed company is converted into a private limited company,

- A. it can avoid being controlled by the government.
- B. its scale of production will be reduced.
- C. it can reduce the risk of being taken over.
- D. it will lose the status of legal entity.

10. 2011.MC.Q23 (Modified)

Which of the following is a feature of a ~~general~~ partnership?

- ~~A. Some partners can enjoy limited liability.~~
- B. The business will be dissolved on the death of any one partner.
- C. All partners share the profit of the firm equally.
- D. Shares can be transferred with the consent of the majority of partners.

11. 2011.MC.Q24

Which one of the following statements about preference shareholders of a listed company is correct?

- A. They cannot sell their shares on the stock market.
- B. They receive fixed dividends whether the company makes a profit or not.
- C. They usually have no voting rights in the company's general meetings.
- D. They receive more dividends than ordinary shareholders.

12. SP.MC.Q9

Suppose a Chinese computer manufacturer takes over a US computer manufacturer. Which of the following is **NOT** an advantage to the Chinese computer manufacturer in the above takeover?

- A. turning a competitor into a partner
- B. diversifying risk of demand fluctuation
- C. building up the goodwill of the company
- D. lowering the average cost of production

13. PP.MC.Q7

Tommy and David have turned their firm from a partnership into a private limited company. Which of the following statements is correct?

- A. They have a higher incentive to work as the profits tax rate is lower.
- B. The firm can still exist even if one of the owners goes bankrupt.
- C. The size of the firm will increase.
- D. The financial conditions of the firm have to be disclosed to the public.

14. 2012.MC.Q8

	Firm A	Firm B
Number of owners	2	10
Transfer of ownership	Needs the consent of other owners	Needs the consent of other owners
Continuity	Continues to exist when one of the owners goes bankrupt	Will be dissolved when one of the owners goes bankrupt

According to the above table, which of the following descriptions of Firm A and Firm B is correct?

- A. Firm A is at a greater risk of being taken over by another firm than Firm B.
- B. Firm A is a legal entity while Firm B is not.
- C. Both firms are subject to the same profit tax rate.
- D. Firm A is required to disclose its financial status to the public while Firm B is not.

15. 2013.MC.Q8

A firm can ensure a steady supply of raw materials by engaging in _____ while it can increase its market share by engaging in _____.

- A. backward integration ... horizontal integration
- B. backward integration ... lateral integration
- C. forward integration ... horizontal integration
- D. forward integration ... lateral integration

16. 2013.MC.Q9

If a partnership is turned into a private limited company,

- (1) The company will become an independent legal entity.
- (2) The company will be at a higher risk of being taken over.
- (3) The company will pay a higher profits tax rate.
- (4) The number of ownership will increase.

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

17. 2014.MC.Q7

A public limited company plans to issue new bonds for expansion. For the existing shareholders, which of the following is an advantage of issuing bonds instead of shares?

- A. The accounts of the company need not be disclosed to the public.
- B. They have priority in getting back their capital if the company liquidates.
- C. The interest paid to the bondholders is lower than the dividend paid to the shareholders.
- D. Their power of control over the company will not be diluted.

18. 2014.MC.Q8

Which of the following statements about partnership and sole proprietorship is correct?

- A. Partnership has better continuity than sole proprietorship.
- B. Partnership has less flexibility in decision making than sole proprietorship.
- C. Partnership has more capital than sole proprietorship.
- D. Partnership enjoys more economies of scale than sole proprietorship.

19. 2015.MC.Q7

A firm has an independent legal entity but the owners cannot transfer their ownership without the consent of the other owners. When the owners want to expand the firm's business, they can _____.

- (1) Use the retained profit of the firm
- (2) Issue shares to the public to raise capital
- (3) Borrow from friends to raise capital

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

20. 2015.MC.Q8

759 Store, a local retailer of imported snacks, expands its business to sell cosmetics and skincare products. Which of the following is **LEAST** likely motive behind the expansion?

- A. To reduce competition
- B. To enjoy economies of scale
- C. To expand its brand name to other products
- D. To spread risk by business diversification

21. 2016.MC.Q11

Hong Kong Television Network Limited (HKTV) has launched an online shopping platform “HKTV Mall”. This expansion

- (1) helps spread business risk.
- (2) ensures a higher profit for the company.
- (3) extends its brand name to other markets.

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

Answer

1.	D	11.	C	21.	B
2.	C	12.	B	22.	
3.	D	13.	B	23.	
4.	D	14.	B	24.	
5.	C	15.	A	25.	
6.	B	16.	A	26.	
7.	C	17.	D	27.	
8.	C	18.	B	28.	
9.	C	19.	B	29.	
10.	B	20.	A	30.	