

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AND

HONG KONG ASSOCIATION FOR BUSINESS EDUCATION

**HONG KONG DIPLOMA OF SECONDARY EDUCATION
EXAMINATION 2018 / 19**

**BUSINESS, ACCOUNTING AND FINANCIAL STUDIES
MOCK EXAMINATION**

**PAPER 2B
BUSINESS MANAGEMENT MODULE**

Time allowed: 2 hours 15 minutes
This paper must be answered in English

INSTRUCTIONS:

1. There are three sections in this paper: Section A (24 marks), Section B (36 marks) and Section C (20 marks).
2. All questions in Section A and B are compulsory. You are required to answer one of the two questions in Section C.
3. Show all your workings.

SECTION A (24 marks)

Answer ALL questions in this section.

1. Explain two reasons why the manpower planning is important to a bank's long-term development.

(4 marks)

2. Use an example in business to distinguish the differences between the market segmentation and target marketing .

(4 marks)

3. Trade credit is commonly used by business organizations as a source of short-term financing. State two costs and two benefits to a supplier granting trade credit to its customers.

(4 marks)

4. An initial investment of \$8,320,000 on plant and machinery is expected to generate cash inflows of \$3,411,000, \$4,070,000, \$5,824,000 at the end of first, second and third year respectively. At the end of the third year, the machinery will be sold for \$900,000.

(a) Calculate the net present value (NPV) of the investment if the discount rate is 18%.

(2 marks)

(b) State two advantages of using the NPV method over the payback method in capital investment appraisal.

(4 marks)

5. With reference to the Herzberg's Dual-factor Theory, suggest three ways in which a sales manager can help solve the problems of working dissatisfaction among salesmen in a department store.

(6 marks)

SECTION B (36 marks)

Answer ALL questions in this section.

6. For over 55 years, Winner Bank has earned a reputation as an outstanding financial institution. In the early years, international trade financing was Winner Bank's main business. As Hong Kong's economy developed, the Bank gradually moved to retail banking in response to the changing demand of its customers. In 2005 the bank set up a Personal Financial Planning Department to better serve customers' changing consumption behaviour in using financial services.

In a monthly senior executives meeting, Fiona, the Head of Personal Financial Planning Department, proposed to hire 40 qualified financial planners from outside by the end of the year. She explained, "Hong Kong people are particularly in need of effective financial planning to prepare for their retirement and to achieve their financial goals."

Jenny, the Head of Human Resources Department, responded, "I can understand the rationale to expand our financial planning services. However, I wonder why we have to hire from outside under the current circumstances of very low unemployment rate in Hong Kong. Why don't we consider internal transfer? We will replace two traditional staffed branches with automatic banking centres in the coming months. There are altogether 60 staff who will be affected and they can be transferred to your Department."

Jenny continued, "Although these staffs do not have knowledge in financial planning, I have had a comprehensive training programme that employs both external and internal learning methods. The external partner of the programme is the Hong Kong Advanced Investors Education Association, which will provide 36 days of classroom lectures divided into three phases. In between these phases, participants will undergo job attachment training at one of our branches under the direction of an experienced qualified Financial Planning Manager."

David, the Head of Marketing Department, said, "The training programme sounds good. But I think that a series of advertising programmes could be launched to promote financial planning services to our customers."

Fiona replied, "We have already paid a lot of effort to establish good relations with our customers. I know advertising is good, but personal selling is more crucial to our success. So, I suggest hiring additional financial planners to perform the function of personal selling. I want to hire from outside in order to avoid the limitations of internal transfer."

- (a) Describe two advantages of the training programme proposed by Jenny. (4 marks)
- (b) Explain one socio-cultural factor and one psychological factor that affect customers' behaviour in choosing financial planning services. (4 marks)
- (c) Give two reasons to support Fiona's viewpoint that personal selling is more important than advertising. (4 marks)
- (d) State three limitations of Jenny's proposed method of hiring financial planners. (3 marks)
- (e) Suggest three types of suitable recruitment methods to Fiona on hiring additional financial planners. (3 marks)

(Total 18 marks)

7. Faithful Department Store Group is one of the Hong Kong's oldest retail groups. The Group is mainly engaged in retailing business and actively bringing high quality products from all over the world. Currently, The Group has five department stores in Hong Kong and two department stores in the Mainland China.

In a management meeting, Edmond, the Chairman, said, "Over the last few years, our sales are dropping. Looking ahead, with the negative impact from the stock market volatility, comparatively high rent and wages, a strong US dollar and a decline in number of Mainland Chinese tourists, the industry prospect is not optimistic."

Cathy, the Financial Controller, replied, "That is true. Our financial position is weakening, and remedial actions must be taken as soon as possible."

Tommy, the Marketing Manager, responded, "It is important to increase our sales indeed. As more people are getting used to the Internet and online shopping, I am thinking of adopting e-marketing strategies by setting up an online shop to expand our business. We can shift our emphasis from traditional marketing to e-marketing."

Edmond asked Cathy, "How is our company's financial situation? Do you have any idea to cut operating costs?" He then turned to Tommy, "What are the benefits of e-marketing? Can we attract more customers?"

Cathy said, "I can show you some ratios and tell you our problems. Different divisions may suggest different approaches to cut costs. For me, I think an effective budget control can help. We can require all divisions to strictly follow their projected budgets. Any variations between their projected and actual budgets would result in heavy penalties."

Edmond responded, "I do not agree with your method to implement budgetary control to reduce costs. It certainly does not work."

The following is an extract of the financial statements of Faithful Department Store:

	2017 (in \$'000)	2018 (in \$'000)
Net Sales	108,084	102,345
Cost of Goods Sold	34,846	37,884
Operating and Tax Expenses	62,198	64,383
Average Inventory	40,666	53,886
Non-current Assets	35,995	32,521
Current Assets	131,889	128,066
Non-current Liabilities	23,741	18,865
Current Liabilities	87,613	95,890
Shareholders' Equity	56,530	45,832

- (a) Compute (to two decimal places) the following ratios for Faithful Department Store of the years 2017 and 2018: (4 marks)
- (i) Inventory turnover
 - (ii) Current ratio
 - (iii) Net profit margin
 - (iv) Return on capital employed
- (b) Based on the ratios calculated in (a), give two suggestions to Faithful Department Store to improve its financial situation. (4 marks)
- (c) Explain three benefits of e-marketing by setting up an online shop to Faithful Department Store. (6 marks)
- (d) Suggest two limitations of adopting budgetary control as a tool to cut costs. (4 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer ONE question in this section.

8. With the Mainland tourist numbers declining over the past year and more people booking online, travel agencies are looking for new strategies to attract and retain customers. Facing the tourism downturn, many travel agencies have begun to utilize the power of big data to find ways to boost sales through personalization of travellers' experiences to cope with the fierce competition in the travel industry.

(a) In terms of customer relationship management, explain how travel agencies can attract and retain customers by utilizing the power of big data .

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(8 marks)

(b) With respect to the marketing mix strategies, compare and contrast the differences between the travel agencies' services provided to school study tours and general package tours.

(12 marks)

(Total: 20 marks)

9. A recent survey shows that the rise in popularity of food delivery apps in Hong Kong is caused by rapid changes in the city's traditional catering industry and the mobile app development industry. Many mobile app development companies invest a lot to recruit young and creative app designers for their expansion in this competitive market.

(a) In terms of risk management, identify and explain different types of insurable and non-insurable risks faced by a mobile app development company.

(8 marks)

(b) With reference to the compensation and benefit management, compare and evaluate the effectiveness of using monetary incentives to enhance the job performance of food delivery app designers and food delivery workers.

(12 marks)

(Total: 20 marks)

END OF PAPER