

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AND

HONG KONG ASSOCIATION FOR BUSINESS EDUCATION

**HONG KONG DIPLOMA OF SECONDARY EDUCATION
EXAMINATION 2017 / 18**

**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

Answer **ALL** questions in this section.

1. Explain two advantages to a company placing advertisements in commercial websites to recruit staff. (4 marks)

2. Tai Yau fast food chain found that the food material cost was higher than the budgeted amount in the third quarter of the year. Identify and propose two remedial actions to deal with its problems. (4 marks)

3. Suggest and explain two appropriate internal communication methods to enhance employee relations when a company needs to carry out a mass layoff. (4 marks)

4. Tat Man Ltd. sells batteries to car dealers and auto mechanics. The annual demand is approximately 6,400 batteries. Tat Man Ltd. pays \$40 for each battery and estimates that the annual holding cost is 25 percent of the battery's value. It costs approximately \$20 to place an order (managerial and clerical costs). Tat Man Ltd. currently orders 534 batteries per month and wants to apply the EOQ model in its inventory management.
 - (a) Explain the main objective of inventory management. (2 marks)
 - (b) Determine the Economic Order Quantity (*EOQ*) and the number of orders to be placed by Tat Man Ltd. in a year. (4 marks)

5. (a) What is meant by marketing segmentation? (2 marks)
(b) Explain the differences between budget hotels and five-star hotels in tourism industry in terms of the demographic factors of their consumer groups. (4 marks)

SECTION B

Answer **ALL** questions in this section.

6. Kelvin's Take-away has been selling handmade sandwiches and salads with natural, preservative-free ingredients for more than 3 years in the Central District. Because of its freshness and quality, Kelvin's food is very popular among those health-conscious consumers.

Recently, several groups of previous customers who had moved their offices to West Kowloon expressed that they missed the food of Kelvin's. They wonder why Kelvin's does not open any shops there. They also request Kelvin's to open a Café to let them enjoy the food in a relaxing place. The owner, Kelvin Li, seeks advice from the business consultant, Mary Chan.

Mary said, "Many new premium office buildings are located in West Kowloon, the market should be huge and profitable." She added, "With the increasing income level and changing lifestyle, the café business seems promising. The café can be named as 'Kelvin's Café'. This is brand extension strategy."

Kelvin worries about the risks of running a café. He said, "Many restaurants face the problems of labour shortage and high labour turnover. Because of the Statutory Minimum Wage, many people would rather work as security guards, which is less physically demanding than working as waiters or dishwashers. Even they join the catering industry, many of them only work for a few months, or just a few days, and then quit the job. Also, the operation of a café is totally different from a take-away shop as customers will demand a higher service level."

Mary replied, "The labour problems are really severe nowadays. We can change the compensation system from time-based pay to performance-based pay so as to attract applicants and to retain employees. We may use hygiene factors and motivators of Herzberg's Dual-factor Theory to motivate employees. Since a café is totally different from a take-away shop, we need to formulate different service marketing strategies."

Kelvin queried, "I doubt whether performance-based pay works for waiters and waitresses. Can you tell me more specific suggestions of hygiene factors and motivators?"

- (a) Explain two benefits of brand extension strategy suggested by Mary. (4 marks)
- (b) With reference to the characteristics of services, suggest the appropriate product and pricing strategy for Kelvin's Café. (4 marks)
- (c) Give two reasons to explain why performance-based pay does not work for the waiters and waitresses. (4 marks)
- (d) Suggest two hygiene factors and two motivators that can be used to motivate employees of Kelvin's Café. (6 marks)

(Total: 18 marks)

7. Chika Group is a Japan listed company and it now operates 890 restaurants in Japan selling ramen, udon, yakitori and pasta, as well as 340 restaurants overseas. The company hopes to set foot in 27 countries and increase its presence to a total of 6,000 branches by March 2025.

In a senior management meeting, Mr. Fukabori, the CEO of Chika Group, said, “We plan to make use of our surplus cash to grasp profitable business opportunities. Wong’s Yunnan Rice Noodles in Hong Kong is one of our targets. Wong’s is well known for its Yunnan-style rice noodles and expanded its business in recent years to 49 outlets in Hong Kong, including the core districts of Causeway Bay and Wan Chai. The acquisition will help us accelerate expansion in the Hong Kong and mainland China markets, riding on the popularity of the Wong’s brand of rice noodles.”

Ms. Kato, the group’s Chief Financial Officer, responded, “I have some reservations. I have collected some financial data from this rice noodle company and find that there are some problems in Wong’s.” Ms. Kato then presented the following financial data of Wong’s to the participants in the meeting:

	2015 (HK\$'000)	2016 (HK\$'000)
Sales	128,000	128,500
Current assets	24,600	12,200
Fixed assets	50,200	72,800
Current liabilities	9,240	18,900
Total liabilities	41,250	56,670
Net profit	6,040	2,070

Ms. Kato continued, “If we use all our surplus cash to acquire Wong’s, we will have the problem of insufficient working capital.”

Mr. Miyano, the group’s Marketing Director, added, “From the perspective of Marketing, Wong’s is very poor in retaining customers. They have done nothing to enhance customer loyalty.”

Mr. Fukabori said, “Funding is a problem but our future must be considered seriously. Wong’s excels in many areas. We can supplement each other as we have a very strong Marketing team to develop customer retention strategies.”

- Compute any three types of financial ratios for Wong’s Yunnan Rice Noodles in 2015 and 2016 (round to 2 decimal places). (3 marks)
- Based on the financial ratios in (a), identify three major problems of Wong’s Yunnan Rice Noodles. (3 marks)
- Apart from using the surplus cash for profitable opportunities, suggest two possible reasons for Chika Group to take over Wong’s Yunnan Rice Noodles. (4 marks)
- Explain two problems arising from insufficient working capital. (4 marks)
- Suggest two strategies to enhance customer loyalty of Wong’s Yunnan Rice Noodles. (4 marks)

(Total: 18 marks)

SECTION C

Answer **ONE** question in this section.

8. Hong Kong's property market is expected to remain robust in the near future, amidst strong domestic and foreign demand and an improvement in economic conditions. The housing loans also hit an extremely high record in banks.

“Whilst domestic demand is strong, mainland Chinese buyers have been investing in Hong Kong residential properties as a hedge against possible further depreciation of the renminbi,” according to a recent property market survey.

- (a) Explain with examples how a bank manages its risks of granting housing loans to local customers buying residential properties.

(8 marks)

- (b) With respect to the property market in Hong Kong, compare and contrast the buying decision-making process between the local buyers and mainland buyers.

(12 marks)

(Total: 20 marks)

9. Super Food Company Limited is a leading brand producing high quality dairy products, which originated in Hong Kong with its own plants located in the New Territories. With a focus on staff training and effective performance appraisal, this company gains a significant global market share selling through overseas wholesale agents and local self-owned retail chains.

- (a) Explain with examples the basic steps of performance appraisal process in Super Food Company Limited.

(8 marks)

- (b) With reference to the marketing mix strategies, compare and contrast the differences between selling dairy products through overseas wholesale agents and local self-owned retail chains.

(12 marks)

(Total: 20 marks)

END OF PAPER