

2013

ECON SCHOOL OF THE HONG KONG ECONOMIC TIMES
DIPLOMA OF SECONDARY EDUCATION MOCK EXAMINATION

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES

PAPER 2B

BUSINESS MANAGEMENT MODULE

Mock Paper

Time allowed: 2 Hour 30 Minutes
This paper must be answered in English.

INSTRUCTIONS

1. This paper consists of THREE sections, A, B and C. Section A carries 30 marks, Section B carries 50 marks and Section C carries 20 marks.
2. Answer ALL questions in Section A and B. You only have to answer one of the two questions in Section C.
3. Please view www.econschool.com/mock1213 for suggested answer.

SECTION A

Answer ALL questions in this section.

1. List THREE factors affecting customer loyalty. (6 marks)
2. Suggest THREE methods for a smart phone producer to highlight its competitive advantage. (6 marks)
3. Explain TWO reasons why a snacks shop holds inventory. (4 marks)
4. A company may hire internal or external candidates to fill job vacancies. State TWO disadvantages of hiring external candidates. (4 marks)
5. What is performance management? State TWO purposes of performance management. (6 marks)
6. Briefly describe TWO limitations of ratio analysis. (4 marks)

SECTION B

Answer ALL questions in this section.

7. Dragonbus is a long-established listed company, providing bus services in Hong Kong. Its service area covers Hong Kong Island, Kowloon and the New Territories. However, the company was facing the problems of the increase in passengers' complaints and drop in profits. To address the problems, the Chief Executive Officer (CEO) called an internal meeting with different department heads, so as to understand the situation.

At the meeting, the Human Resources Manager pointed out that due to the retirements of some experienced bus captains, there is a shortage of bus captains in the company. Other bus captains may need to work overtime or on holidays. Moreover, to attract new employees, the company offers them with salaries higher than those of the existing employees, even though their job natures are the same. Employees are dissatisfied with these arrangements.

The Customer Relations Manager also pointed out that, the lost trips rates of the bus routes are rising, causing an increase in passengers' complaints. Moreover, the monthly average number of traffic accidents also increases. It is attributed to the lack of training of new bus captains.

The Financial Manager added that due to the rise in oil price and decrease in passengers, the net profit of the company decreases for two consecutive years. Some ordinary shareholders complain on the decrease in investment return.

The meeting ended with the CEO's request for a proposed solution from different department heads to address the aforementioned problems, which would be discussed at the next meeting.

- (a) Explain why the bus captains of Dragonbus are dissatisfied with the following theories respectively:
- (i) Maslow's hierarchy of needs theory (4 marks)
 - (ii) Adam's equity theory (2 marks)
- (b) Illustrate THREE advantages for Dragonbus to provide training to its bus captains. (6 marks)
- (c) State TWO risk management strategies for the following risks respectively:
- (i) Risk of oil prices rise (4 marks)
 - (ii) Risk of traffic accident (4 marks)
- (d) List THREE ratios of return on investment, and state what aspect of the profitability of Dragonbus does each rate measure. (6 marks)

(Total: 26 marks)

8. Ming Wah Bakery, which is a traditional Chinese bakery, has operated for over 70 years in Hong Kong. It mainly produces traditional moon cake and Chinese bridal cake locally, and sells by retail in its branches extended throughout Hong Kong. Ming Wah Bakery is the Wongs' family business; all of its shareholders are the Wongs' relatives. Ricky Wong has recently taken over the ownership of the bakery due to his father's retirement. He discovered that there was a small customer flow, and the sales and profits are lower than expectation.

To revive the failing business, Ricky evaluated the problems faced by Ming Wah Bakery. After some investigation, he discovered:

- (1) Customers generally think that the brand is old-fashioned;
- (2) The traditional cakes with high level of sugar sold by the bakery are outdated due to the customers' increasing concern over health issues;
- (3) Customers generally think that the prices of Ming Wah Bakery's traditional cakes are too high.

Therefore, Ricky hired a new marketing manager to launch the rebranding of Ming Wah Bakery, so as to make the brand more youthful and thus attract more young customers. Ricky planned to invite youth idols to shoot a TV advertisement. So, he asked the marketing manager to prepare a budget for the related advertisement, and conduct a survey with the target audiences after launching the advertisement, to evaluate the promotional effectiveness of the advertisement.

Besides, Ricky planned to open factories to produce traditional cakes in the Mainland, and thus asked for the advice of the financial manager on the financing methods. Ricky accepted the financing methods suggested by the financial manager except letting the bakery to go listed and issues shares to the public. Ricky added, "The bakery will not choose equity financing as it is unfavourable to our existing shareholders."

- (a) Suggest Ming Wah Bakery TWO methods to compile a budget for the advertisement. (4 marks)
- (b) List TWO aspects that can be surveyed on when Ming Wah Bakery conducts a survey to evaluate the promotional effectiveness of the advertisement. (2 marks)
- (c) For product strategy and promotion strategy, suggest Ming Wah Bakery two measures for each strategy for rebranding of the bakery apart from advertisement. (8 marks)
- (d) List ONE extrinsic factor affecting the pricing of Ming Wah Bakery. (2 marks)
- (e) (i) Give ONE reason to explain why it is unfavourable to the existing shareholders if Ming Wah Bakery goes listed and issues shares to the public. (2 marks)
(ii) Besides equity financing, suggest TWO sources of funds for Ming Wah Bakery to set up factories in the Mainland. Give ONE reason for each of your suggestions. (6 marks)

(Total: 24 marks)

SECTION C

Answer ONE question in this section.

9. A garment factory uses hourly wage to hire garment workers, while the appointments of designers are in the form of monthly salary.
- (a) Recently, the management of garment factory discovers that the actual direct labour cost is higher than the budget. Discuss why there is a variance between the actual and budgeted wage rate. (8 marks)
- (b) The management of garment factory plans to revise the remuneration of designers. Some suggested that the firm should distribute the year-end bonuses according to the performance. Other suggested to increase the number of paid leaves of all designers. Compare the differences between the TWO suggestions. (12 marks)
- (Total: 20 marks)

10. Success Enterprise plans to know more about the customers' opinion about its current products, and open up new market.
- (a) Discuss the differences of using telephone interview, online survey and face-to-face interview. (12 marks)
- (b) Elaborate the main content of a market research report. (8 marks)
- (Total: 20 marks)

END OF PAPER 2B

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