

South Tuen Mun Government Secondary School
Yearly Examination 2017-2018
S5 Business, Accounting and Financial Studies (Management Module) Paper 2B
Marking Scheme

SECTION A

- 1 (a) The firm's trade payables turnover
= $\$530,000 \div \$75,000$ (0.5 marks)
= 7.07 times (0.5 marks)
- (b) (i) Operating cycle is the time period from when a firm buys its inventory on credit to when it receives a cash payment from selling its products. (1 mark)
- (ii) An increase in trade payables turnover means that the firm pays its trade payables more quickly, and is more efficient in paying its trade payables. (1 mark)
Although the time period between buying inventory on credit and paying cash for the inventory has been shortened, this would not affect the time at which the firm receives cash from selling its product. (2 marks)
Therefore, the firm's operating cycle would remain unchanged. (1 mark)
- 2 Reasons why budgetary control may not be a good tool for motivating employees:
- Once budgeted goals are met, employees know that they have met the company's requirement for the year. They have no incentive to work harder for the remaining time. (2 marks)
 - Employees may be concerned about the possibility of receiving a higher target or a tougher budget next year if they exceed this year's budgeted goals. Therefore, they would be reluctant to go beyond the expectations of the current budgets. (2 marks)
- 3 Data collection methods that the bank may use to collect primary data include:
- Survey research method: The bank may design a questionnaire and conduct phone interviews with credit cardholders in Hong Kong to ask about their credit card spending habits. (2 marks)
 - Qualitative research method: The bank may conduct in-depth interviews or focus group discussions with a small number of credit cardholders in Hong Kong, so as to understand more about how they use their credit cards. (2 marks)
- (Any other reasonable examples)

4 Coaching is an ongoing process of communication between a manager and his subordinates. (2 marks)

Given that the new employees may not know the company's work procedures and policies, managers can give them instructions through coaching. This might help them better adapt to the new working environment. (2 marks)

Or

Managers can correct new employees' mistakes through coaching. They may also identify barriers to their performance. This might help improve their performance. (2 marks)

Or

Managers can listen to new employees' concerns and comments on what they think about their work and the company. They can then provide the employees with instructions and encouragement. This might help improve their performance. (2 marks)

5 To cope with excessive demand during peak hours, the supermarket can

- install self-service check-out counters to increase consumer participation so that staff workload can be reduced.
- lower prices during non-peak hours to encourage people to shop before or after peak hours.
- launch online shopping and provide delivery services to customers.
- hire part-time staff to increase productivity.

(Any three of the above, 2 marks for each point)

SECTION B

6 (a) The next two steps that Helpharma will take:

- Prepares a general need description and develops a technical specification for the laboratory equipment. (2 marks)
- Searches for suitable equipment suppliers, and then informs potential suppliers about its purchase intention and invites them to submit proposals. (2 marks)

(b) (i) The risk of new drugs not being well received by the market is non-insurable. (1 mark)

This is because the risk is a speculative risk. Helpharma can earn a profit in case the new drugs are well received by the market. If insurance companies insure against this risk, Helpharma will be guaranteed to gain from speculation. (2 marks)

(ii) Risk management strategies that Helpharma can use include:

- Risk assumption: Helpharma can reserve a sum of money in its bank account to cover the potential losses. (2 marks)
- Risk reduction: Helpharma may conduct marketing research in advance to understand market needs. If the new drugs can satisfy market needs, they are more likely to be well received by the market. (2 marks)

(Any other reasonable examples)

(c) The risk of Helpharma's research results being stolen by new research staff is insurable. (1 mark)

To obtain protection against this risk, Helpharma can purchase fidelity guarantee insurance. (1 mark)

This type of insurance can provide compensation to Helpharma if it loses money as a result of the dishonest acts of its staff. (1 mark)

(d) Charles can motivate the researchers in the following ways:

- Achievement: Charles can allow the researchers to perform some challenging tasks. They can gain a sense of achievement when they complete the tasks.
- Recognition: Charles can praise or reward the researchers for their hard work and excellent performance.
- Responsibility: Charles can allow some of the researchers to take part in the company's decision making.
- Advancement: Charles can promote researchers who have excellent performance.
- Personal growth: Charles can let the researchers attend pharmaceutical or medical seminars and workshops so that they can gain new knowledge and skills.

(Any two of the above, 2 marks for each point)

(Any other reasonable answers)

- 7 (a) Grace can segment the market for the cooking school as follows:
- Geographic segmentation: divide the market by world region, country or region/city within a country. For example, Grace can target people who work nearby.
 - Demographic segmentation: divide the market based on major demographic variables, such as age, gender, income, occupation, religion, nationality and family size, etc. For example, Grace can target high income earners.
 - Psychographic segmentation: divide the market based on consumers' social class, lifestyle or personality characteristics. For example, Grace can target upper class customers.
 - Behavioural segmentation: divide the market by occasion, benefits sought, usage rate and degree of customer loyalty. For example, Grace can target customers who want to prepare food for a Christmas party.

(Any two of the above, 2 marks for each point)

(Any other reasonable answers)

(b) The advantages are:

- By offering different products for different target markets, the cooking school can better serve its customers. (2 marks)
- As market bases are enlarged, total sales revenues will probably increase. (2 marks)

(c) Marketing concept: A business should analyse the needs of its customers and take appropriate measures to satisfy those needs in order to make a profit. (2 marks)

Grace should investigate the tastes and preferences of her customers and offer cooking classes that meet their needs. (2 marks)

(d) Grace can apply the other three elements of the marketing mix to enhance the competitiveness of the cooking school as follows:

Price: Grace should set prices which are perceived by her customers as a good bargain or at least affordable. This can make her cooking school more competitive.

Place: Grace may offer classes at different time periods during the day. This can enhance the availability of services to customers.

Promotion: Grace can distribute flyers with coupons to passersby.

Or

Grace can place advertisements in newspapers or magazines.

(1 mark for listing the element, 1 mark for the example)

(Any other reasonable examples)

SECTION C

8 (a) The fast food restaurant can maintain the quality of services as follows:

- Establishing a good recruitment and training system: The fast food restaurant should recruit the right people. After hiring the right people, it should provide them with proper training.
- Standardising the service delivery process: The fast food restaurant can establish strict standards to govern all the steps involved in delivering services to customers.
- Monitoring customer satisfaction: The fast food restaurant can establish a suggestion and complaint system to determine the level of customer satisfaction. This helps the fast food restaurant detect variations in service quality and enables it to carry out remedial actions as soon as possible.

(3 marks for each point, maximum 10 marks)

(b) The fast food restaurant can cope with manpower shortages as follows:

- Manpower planning: It can hire temporary employees to ease the workload of existing employees.

Or

It can replace some of the working procedures with technology. For example, it can set up self-service ordering machines to reduce manpower requirement.

Or

It can open up more recruitment channels to recruit staff. It can offer incentives to existing employees for recommending suitable people to join the company.

- Performance management: It can set fair and clear performance standards in its performance management. When employees know that they are fairly treated, they would be less likely to leave the fast food restaurant.

Or

It can show existing employees that its performance appraisal system can develop their capabilities. It can also set up a career development plan for employees.

- Compensation and benefit management: It can review remuneration packages and make them more attractive (e.g., competitive salary and more breaks).
- Training and development: It can offer systematic training to help employees improve themselves as well as develop their future career.
- Employee relationship: It can organise social gatherings (e.g., BBQ party) for employees. This helps employees develop a sense of belonging to the fast food restaurant.

(3 marks for each way under a relevant HRM function, maximum 10 marks)

(Any other reasonable answers)

- 9 (a) Advantages of appraising capital investment projects using the payback period:
- The payback period is simple to calculate as it does not require advanced calculation skills. It can help the retail chain's managers evaluate capital investment projects quickly. (2 marks)
 - The payback period is easy to understand. If a project has a shorter payback period, this means the investment cost can be recovered more quickly. Therefore, even if the retail chain's managers do not have formal training in finance, they can also use the payback period easily. (2 marks)
 - The payback period can help the retail chain identify risky projects. As business conditions change rapidly, the longer the payback period, the riskier the project. Therefore, the retail chain can avoid risky projects by engaging in projects with a short payback period. (2 marks)
 - The payback period can help increase the retail chain's reinvestment opportunities. If it invests in projects with a short payback period, it can recover its investment cost quickly. As a result, it can have more cash for reinvestment. (2 marks)
- (b) Reasons why the retail chain plans to finance the project with retained profits rather than by issuing bonds:
- Greater flexibility: The retail chain can use retained profits anytime without the need to get approval, but it needs to obtain approval from stockholders in order to issue bonds. (3 marks)
 - Lower cost: Using retained profits is less costly than issuing bonds because transaction costs and interest expense are not involved. (3 marks)
 - Greater freedom in decision making: If the retail chain issues bonds, it needs to disclose to investors its purpose for raising capital and obtain stockholders' approval. These may affect the managers' decision making. However, using retained profits does not require approval from external parties. (3 marks)
 - Lower risk: If the retail chain issues bonds, it needs to pay interest and repay the principal at maturity whether it makes a profit or not. If it fails to do so, it may be forced to wind up. However, using retained profits will not create any financial burden on the retail chain, so it is less risky than issuing bonds. (3 marks)
- (Any other reasonable answers)

END OF PAPER 2B