

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Mock Paper #1 (Management Module)

Name: _____

Class: _____ ()

PAPER 2B

Time allowed: 2½ hours
This paper must be answered in English

Instructions:

1. There are three sections in this paper: Section A (30%), Section B (50%) and Section C (20%)
2. All questions in Section A and B are compulsory. You are required to answer one of the two questions in Section C.

Section A

Answer *ALL* questions in this section.

1. Explain the definition of marketing and how charities utilise marketing using the Red Cross as an example. (4 marks)
2. Describe how marketing research promotes two processes of marketing. (4 marks)
3. Explain three reasons why distributing stock options to management is more appropriate than to front-line staff. (6 marks)
4. According to the three objectives of performance management, explain how companies use performance management to enhance productivity. (6 marks)
5. Explain two reasons why companies decide not to take any remedial actions in the event of unfavourable budgeting variances. (4 marks)

Section B

Mock #1

Answer *ALL* questions in this section.

6. Victory Tour is a long-established local travel agency specialising in organising medium to long-distance travel tours. The most popular itineraries include visiting the mosques and ancient cities of Syria and the temples of Lebanon. Victory Tour also arranges special tours to various European locations during peak travel seasons and arranges customers to stay in the castle-style hotels to provide a unique travel experience.

In recent years, many countries in the Middle East and Europe have been threatened by terrorist attacks. The Security Bureau has issued red and black travel alerts to Lebanon and Syria respectively, advising people from Hong Kong people not to visit such places unless it is necessary. Due to the economic downturn in southern Europe, law and order has been difficult to maintain and several tourists have been robbed of their valuables. As a result of these unfavourable factors, many tourists have abandoned their plans to visit the Middle East and Europe and have opted to go on short-distance tours to Japan, South Korea and Southeast Asia. This has directly impacted on Victory Tours sales. The company is planning to reduce manpower to cut costs. The management has reduced manpower through a method that will have a minimal impact on employee morale.

Victory Tour intends to use the qualitative research method used in marketing research to find out their tastes, preferences and consumption habits of clients who are interested in tours to Japan, South Korea and Southeast Asia. The company has also decided to target the most appropriate market segment to be in line with its current market positioning after obtaining the relevant information.

- (a) Based on the situation in the Middle East and Europe, suggest three risk management strategies for Victory Tour. (6 marks)
- (b) Describe two ways in which Victory Tour can reduce manpower. (4 marks)
- (c) Explain two methods in which Victory Tour can obtain information to assess different market segments through qualitative research methods. (4 marks)
- (d) Explain two factors Victory Tour needs to consider when assessing different market segments as the target market. (4 marks)

(Total: 18 marks)

7. Wah Ming is a dessert master who has just resigned from a five-star hotel. He has decided to use on his experience in the hotel bakery industry and invent a 'Real Pineapple Bread' to bid for a Food Truck. Unlike the traditional pineapple bread, there is real pineapple inside the 'Real Pineapple Bread' created by Wah Ming. He believes that the judges will appreciate his baking skills and creation with its unique sauce and nominate him.

In his business plan, Wah Ming expects to sell 60,000 pineapple breads a month and will need 75,000 pounds of pineapples per month. The ordering cost of pineapples is \$600 per order, while the carrying cost per pound of pineapples is \$40 per month. His friend Lisa has suggested that he can use the concept of Economic Order Quantity to minimise the inventory cost. In calculating the initial investment and operating expenses, Wah Ming has identified at least three financing needs, including the purchase of raw materials, the purchase of the food truck and money set aside for promotion expenses.

Another selling point of the 'Real Pineapple Bread' is that it is a hundred percent handmade. Wah Ming has recruited a new employee, Michael, to assist him in making the 'Real Pineapple Bread'. He wants Michael to focus more on business management and market development after he has learned the required skills.

Although the concept of a food truck has been widely discussed in the past, this trend has recently declined. Wah Ming is considering establishing appropriate promotion strategies to attract target customers to try this new product.

- (a) (i) Calculate the Economic Order Quantity of pineapples. (2 marks)
- (ii) Explain the relationship between the two costs considered in calculating the Economic Order Quantity and the total inventory cost. (2 marks)
- (b) Explain the appropriate sources of financing based on the above three financing needs. (6 marks)
- (c) Suggest two types of on-the-job training for Michael. (4 marks)
- (d) Apart from advertising, explain two promotion mix tools Wah Ming can apply to attract target customers to try the new product. (4 marks)
- (Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in this section.

8. New properties in Hong Kong are focusing more on club facilities and architectural style. Property developers and property management companies are playing a key role in the development of new properties in Hong Kong.

(a) According to Maslow's Hierarchy of Needs Theory, explain how property developers meet the different levels of needs of residents through the construction of residential housing. (10 marks)

(b) Describe how property management companies use effective marketing strategies to increase the loyalty of residents. (10 marks)

(Total: 20 marks)

9. 'Fast fashion' is becoming more popular with young people in Hong Kong, presenting a challenge for traditional branded fashion.

(a) Use different accounting ratios to assess the management efficiency of a 'fast fashion' company. (8 marks)

(b) Based on the steps involved in performance management, explain how a 'fast fashion' company evaluates the performance of salespeople.

(12 marks)

(Total: 20 marks)

END OF PAPER

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Marking Guidelines

Paper 2B

Business Management Module

SECTION A

QUESTION 1

Marks

Definition: marketing is the process by which individuals and organisations meet needs and desires through creating and exchanging value.

2

The Red Cross calls on people to donate blood in exchange for the chance of saving the lives of patients to obtain satisfaction.

2

4 marks

QUESTION 2

Marks

Processes:

– Planning: when setting marketing objectives, marketing research helps analyse market segments and select target markets.

2

– Control: marketers can evaluate the actual performance of a marketing campaign based on the results of marketing research.

2

4 marks

QUESTION 3

Marks

Reasons:

– Understanding of stock options: the management is more familiar with financial instruments, such as stock options, while front-line employees are generally unfamiliar with financial instruments.

2

– Relationship between performance and different positions: the performance of the management has a significant relationship with the enterprise, while the relationship between the front-line staff and the overall performance of the company is not direct.

2

– Relationship between different positions in obtaining corporate information: the management is easier to obtain information about the latest developments of the company, while front-line employees are more difficult in getting these information which is critical to the exercise of the stock options.

2

6 marks

Section B

Mock #1

QUESTION 4

Marks

Objectives :

- Effective use of human resources: after mastering the appraisal results of different employees, companies can arrange for appropriate work to employees to enhance work efficiency. 2
- Employees' understanding of the company's objectives: enterprises can develop standards to assess employee performance against the overall goals to ensure that they strive to work towards these goals. 2
- Development of employees' capacity: depending on the appraisal results, companies may decide on the types of training that different employees need to improve their performance. 2

6 marks

QUESTION 5

Marks

Reasons:

- Not cost-effective in correcting budgeting variances: if the variances are too narrow, it is not worthwhile to using valuable resources to examine and correct the variance. 2
- Remedial action has a negative impact on other aspects of the company: if the implementation of remedial action would has an effect on other aspects of the business, such as recovering sales variances which puts great pressure on front-line salespeople and lowers employee morale, then the company should not carry out the remedial actions. 2

4 marks

Section B

Mock #1

SECTION B

QUESTION 6

Marks

- (a) Risk management strategies:
- Risk avoidance: Victory Tour should avoid recommending tourists to areas with red and black travel alerts, such as Lebanon and Syria until the travel alerts are removed. 2
 - Risk reduction: Victory Tour should remind tourists not to take valuables to southern Europe. All valuables should be stored safely to reduce the chance of theft. 2
 - Risk transfer: Victory Tour can take out travel insurance for the company and its customers. It can claim compensation from the insurance company in the event of theft. 2
- (b) Ways:
- Natural attrition: when an existing employee retires or resigns, the vacancy will no longer be filled. 2
 - Voluntary resignation: it can provide financial incentives to persuade current employees to choose voluntary retirement or resignation. 2
- (c) Methods:
- Interview: Victory Tour can ask the customers about their ideal itinerary and the travel services they are looking for in the form of an interview. 2
 - Focus group: Victory Tour can choose 6 to 10 visitors to discuss specific topics, such as the most satisfying tour guide service and the most memorable travel experience. 2
- (d) Factors:
- Size and growth rate of market segments: Victory Tour needs to consider whether the sales, growth rate and expected profitability of the selected market segment are attractive. 2
 - Company objectives and resources: Victory Tour needs to consider whether it has sufficient human resources and financial strength to develop the selected market segment. 2

18 marks

Section B

Mock #1

QUESTION 7

Marks

- (a) (i) Economic Order Quantity = $\sqrt{\frac{2 \times 75\,000 \times \$600}{\$40}} = 1\,500$ pounds 2
- (ii) The total inventory cost is at a minimum when the total ordering cost equals the total carrying cost. 2
- (b) Sources of financing:
- Purchase of raw materials on trade credit: as the purchase of raw materials can be made on credit to the supplier, Wah Ming can repay his debts within the credit period set by the supplier. 2
 - Purchase of a food truck through hire purchase: Wah Ming can hire the food truck from the dealer by paying a down-payment and periodic installments to reduce the burden of a huge one-off financial pressure. 2
 - Payment of promotion expenses by short-term bank loan: Wah Ming expects the promotion can increase the sales volume of the 'Real Pineapple Bread', he can start by borrow from the bank first and repay the debts as fast as possible after the sales increase to reduce interest expenses. 2
- (c) On-the-job training:
- Apprenticeship training: Wah Ming can explain to Michael the concept of fermentation of bread and allow him to practise how to rub the flour and cut the pineapple. 2
 - Coaching: Wah Ming can demonstrate to Michael how to make the 'Real Pineapple Bread' and guide him during the process of making. 2
- (d) Promotion mix tools:
- Sales promotion: Wah Ming can attract customers to try the 'Real Pineapple Bread' through short-term incentive tools, such as discounts. 2
 - Direct marketing: Wah Ming can e-mail or post promotional leaflets and coupons to office staff near the food truck to attract them to try the 'Real Pineapple Bread'. 2

18 marks

Section C

MOCK EXAM Paper (Paper 2B) (Set 1) Marking Guidelines

SECTION C

QUESTION 8

Marks

(a) Methods:

- Physiological needs: property developers have given residents sufficient space in their flats to meet their relaxation needs. 2
- Safety needs: property developers use fire-resistant and standard building materials to meet the safety needs of households who need to be protected. 2
- Social needs: property developers have built a range of sports and leisure facilities to enable residents to meet their friends and fulfill their social needs. 2
- Esteem needs: property developers have set up a gorgeous lobby so that the residents feel good about themselves which meets their esteem needs. 2
- Self-actualisation needs: property developers have set aside land for affluent households to build gardens and terraces so that they can plant their favourite plants to meet their self-actualisation needs. 2

(b) Methods:

- Meet the expectations of households: conduct regular household surveys or focus groups to collect the views of residents on clubhouse facilities and staff services and understand their expectations of the property management company 2
- Establish close relationship with residents: implement frequency programmes to allow households who accumulate a certain number of points to enjoy the clubhouse facilities for free to increase the frequency of use of the clubhouse facilities 2
- Provision of add-on services: a shuttle bus service is provided to residents in the vicinity of the shopping hotspots 2
- Effective handling of complaints from residents: prompt handling of complaints from residents about the quality of clubhouse facilities and services 2
- Partner relationship management: organised cultural and recreational activities on a regular basis in conjunction with large nearby shopping centres to build a sense of belonging among residents 2

20 marks

Section C

MOCK EXAM PAPER (PAPER 2B) (SET 1) MARKING GUIDELINES

QUESTION 9

Marks

(a) Accounting ratios:

- Inventory turnover: measure the efficiency of the use of inventory. The higher the inventory turnover, the faster the sales by a 'fast fashion' company increase. It will help reduce the accumulation of inventory and increase management efficiency. 2
- Trade receivables turnover: measures the efficiency of collecting trade receivables. The higher the trade receivables turnover, the faster the 'fast fashion' company collects receivables. This helps reduce the chance of bad debts and enhance the management efficiency. 2
- Trade payables turnover: measure the efficiency of payment of the payables. The higher the trade payables turnover, the faster the 'fast fashion' company settles its trade payables. This helps reduce the chance of supplier dissatisfaction and enhance the management efficiency. 2
- Total assets turnover: measure the efficiency of the use of assets to earn sales revenue. The higher the total assets turnover, the more efficient the 'fast fashion' company is in using assets to generate sales revenue. This indicates that the company can use fewer assets to earn more profits which helps increase management efficiency. 2

(b) Steps :

- Step 1: identify and establish clear and measurable performance standards and objectives. A 'fast fashion' company can set personal sales targets for each salesperson based on the company's overall sales goal. For example, the personal sales goal for each salesperson is 80 thousand dollars per month. It can also use their service attitude as the standard to measure of performance. 3
- Step 2: measure work performance and monitor progress towards the goal. A 'fast fashion' company can use the sales data and questionnaires to find out whether each salesperson has met standards and whether the service attitude is satisfactory. 3
- Step 3: provide feedback and guidance based on appraisal results. A 'fast fashion' company can provide feedback and guidance to salespeople who fail to meet their sales targets or have poor service attitude to improve their performance. 3
- Step 4: make human resources management decisions based on performance appraisal. A 'fast fashion' company can make promotion or transfer arrangement based on the appraisal result of each salesperson. 3

20 marks