

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Mock Paper #3 (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 three possible changes in consumer behaviour if married couples choose to have very few or even no children. (6 marks)
2. Illustrate the marketing concept using a sports equipment company as an example. (4 marks)
3. Explain three methods of conducting job analysis. (6 marks)
4. Under certain circumstances, mass advertising and intensive distribution should be used in the introductory stage of the product life cycle. Explain three of them. (6 marks)
5. Explain two reasons why formal performance appraisal is also useful for small businesses. (4 marks)
6. Identify four factors that are commonly used to assess a company's creditworthiness. (4 marks)

Section B

Mock #3

Answer *ALL* questions in this section.

7. The Petite Food Market is a high-end grocery store selling gourmet food ingredients and fine wines selected worldwide. Over the years, it has accumulated a positive word-of-mouth (reputation) and a group of loyal customers. Customers love to come to the store and find new recipe ideas to cook and seek advice when choosing wines.

In order to further expand the business, the owners are thinking of offering festival hampers (gift baskets). They observe that people nowadays are willing to spend more to express their gratitude towards their friends or business partners. With their solid customer basis, they believe this would be a promising new opportunity.

However, several issues need to be tackled. First of all, they have to choose between targeting consumer markets or business markets. While some partners believe that they know consumers' needs and wants better throughout the years of service, others suggest that business markets would be more profitable because business people love 'face' and they would spend more generously when to be sending gifts to their clients or business partners. Another issue considered is their capacity to meet the increase in demand before festivals, because the shop is very busy during these times. Some owners suggest that certain measures could be taken to adjust the demand for hampers. At the same time, in order to reduce the risk of launching the new product line, the owners agree to conduct a market survey research to understand the consumers' preference in hampers.

Manpower planning is always difficult for services, especially for seasonal services. Since the owners have not decided on whether to outsource the delivery of hampers to a logistics company, it is even harder for them to implement manpower planning.

- (a) How does the business market differ from the consumer market in the gift hamper market? Explain four differences. (8 marks)
- * (b) With reference to the characteristics of service perishability, suggest three methods to adjust the demand of festival hampers. (6 marks)
- (c) What kind of information does the Petite Food Market need to collect about the gift hamper market? Suggest five different points. (5 marks)
- * (d) Give three reasons why it is difficult to do manpower planning for the new business. (6 marks)

(Total: 25 marks)

8. Steven Kim is the owner of a medium size trading company of which the main business is to import Korean goods and resell them to local middlemen. Their products include packaged food like snacks and instant noodles, skin care and cosmetics, stationary, etc. Since Korean movie stars and singers became popular in Hong Kong and Mainland China, more and more people are interested in the Korean culture. There is a strong consumer demand for Korean products and Steven's business is growing at a rapid pace.

However, the booming business brings chaos. Customers are starting to complain that their orders do not arrive on time and there are often missing or incorrect items. Sometimes the packaged food has already expired by the time it arrive at their customers' warehouses. The delivery team has to make another trip to collect those incorrect items and return them with the correct ones. There are also occasions when Steven's purchasing department has repeatedly ordered low demand goods while some of the best selling products are often out-of-stock.

Another issue that alarms Steven is the financial situation. Below are some figures provided by the accountant:

	2011	2010
Cash	\$42,500	\$195,400
Accounts Receivable	\$986,400	\$524,000
Current Assets	\$2,304,900	\$1,431,900
Current Liabilities	\$1,572,500	\$682,100
Sales	\$7,742,500	\$6,853,700
Gross Profit Margin	36%	43%

Apart from the above figures, Steven also worries about the rising value of Korean currency which is eroding the profit margin. He is thinking of buying forex futures to manage the risk.

- (a) Calculate the appropriate financial ratios to help Steven reveal the problems faced by its company. (8 marks)
- (b) Analyse the problems revealed by the above ratios and suggest what could be done to rectify these problems. (6 marks)
- (c) How would poor inventory management affect the company profits? (6 marks)
- * (d) What is the futures market? Explain how this market could help Steven to manage the forex risk the company is facing. (5 marks)

(Total: 25 marks)

Section C

Mock #3

Answer *ONE* question in this section.

9. (a) A publishing company is planning to launch electronic books for readers to download using their mobile devices. How would you develop a marketing plan for the electronic books? (14 marks)
- (b) Suggest appropriate risk management methods to manage the risks associated with developing the electronic books business. (6 marks)

(Total: 20 marks)

10. (a) Suppose you are the human resources manager of a department store and are reviewing the training program for different levels of staff. How would the training program of a salesperson differ from that of a marketing manager? (12 marks)
- (b) Department stores have a rather high turnover rate of sales people among the within industry. You want to convince top management that a well-conducted training and development program could help to reduce the turnover rate. Explain your point of view. (8 marks)

(Total: 20 marks)

END OF PAPER

Section A

Mock exam #3

1. • Have more time and money to spend on leisure activities, such as travel, home audio-visual entertainment system.
• Need to plan for life and medical needs after retirement.
• May keep pets for companionship.

(2 marks each, max 6 marks)

Reference:

Refer to book 3(c) Marketing Management; Section 3.2

2. • Market focus - different markets such as children, teens, professionals, schools
• Customer orientation - understand and fulfill customers needs and wants
• Coordinated marketing - different functions in the company such as sales, purchasing, delivery should coordinate to carry out marketing activities

(2 marks each, max 4 marks)

Reference:

Refer to book 3(c) Marketing Management; Section 4.1-4.2

3. • Interviews
• Questionnaires
• Observation
• Job diary

(2 marks each, max 6 marks)

Reference:

Refer to book 3 (c) Marketing Management; Section 4.1.2

4. • Low product uniqueness
• The market is already at the maturity stage whereas the brand is in the introductory stage
• Fad products

(2 marks each, max 6 marks)

Reference:

Refer to book 3(b) Human Resources Management; Section 2.2

5. • All the staff need to hold a formal meeting to discuss whether their performance could meet the company's objectives and how could improvements be made.
• Small businesses generally rely on staff more than on systems or machinery, therefore staff performance is fundamental for the success of these companies.

(2 marks each, max 4 marks)

Reference:

Refer to book 3(c) Marketing Management; Section 4.4

6. • character
• capacity
• capital
• condition
• collateral

(1 mark each, max 4 marks)

Reference:

Refer to book 3(b) Human Resources Management; Section 3.2

3

Section B

Reference:

Refer to book 3(c) Marketing Management; Section 3.4

7. (a) • Purchase larger quantities
• Buy more frequently
• More geographically concentrated
• Use professional purchasing system
(2 marks each, max 8 marks)

Reference:

Refer to book 3(c) Marketing Management; Section 5.1

- (b) • Offer earlybird discounts
• Discount for pick-up at shops by customers
• Offer limited numbers of hampers each day and urge customers to order early
(2 marks each, max 6 marks)

Reference:

Refer to book 3(c) Marketing Management; Section 3.2

- (c) • Demographic information of consumers, such as age, sex, income level
• Psychographic information, such as lifestyle
• Frequency and amount spent on buying gifts
• Preferences for the assortment of products in hampers
• Media habits
(1 mark each, max 5 marks)

Reference:

Refer to book 3(b) Human Resources Management; Section 1.2

- (d) • Difficult to estimate the demand for manpower since the demand for hampers is fluctuates.
• The labour turnover rate for retail businesses is generally higher than other businesses, making it difficult to estimate the movement of staff.
• Management attitude of division of work and unclear strategy add to the difficulty of manpower planning.
(2 marks each, max 6 marks)

Reference:
Refer to book 3(a) Financial Management; Section 1.2-1.7

8. (a) Relevant financial ratios:

	2011	2010
Inventory	1,276,000	712,500
COGS	4,955,200	3,904,510

	2011	2010
Current Ratio	1.47	2.10
Quick Ratio	0.65	1.05
Inventory Turnover (times)	3.88	5.48
Average Collection Period (days)	45.86	27.52

(1 mark for each ratio, total 8 marks)

(b) The problems revealed by the ratios as compared to previous year:

- The low current ratio and quick ratio both indicate that the company's ability to meet short-term obligation is weakened, which could lead to liquidity problems.
- The slow inventory turnover indicates that the company has tied up too much inventory, which could lead to higher inventory costs.
- The longer average collection period indicates that the company has more resources in credit sales, which could lead to higher collection expenses and bad debts.

Reference:
Refer to book 3(a) Financial Management; Section 6.4

(1 mark each, max 3 marks)

The overall solution is to strengthen its working capital policy.

- Cash flow management needs to be strengthened.
- Speed up the debt collection process, tighten the credit standard.
- Develop a better inventory system so that inventory is kept low.

(1 mark each, max 3 marks)

(c) The effect on poor inventory management on profits:

- Manpower and other resources are needed to handle incorrect orders; therefore the administration costs will be increased.
- The out-dated inventory information would lead to obsolete inventory and result in a decrease of profit.
- In the long run, customers would be dissatisfied (because of the stock-out situation and incorrect orders) and look for other sources of merchandise. This would decrease the sales revenue.

Reference:
Refer to book 3(a) Financial Management; Section 5.7

(2 marks each, max 6 marks)

(d) A futures market is a commodities exchange where standardised contracts of commodities or financial instruments for future delivery are traded. A futures contract, which is legally binding, would stipulate the price, amount of commodities and the delivery date. (3 marks)
Steven could buy a futures contract with a specific exchange rate of Korean currency and finish the transaction on a future date. (2 marks)

Reference:
Refer to book 3(a) Financial Management; Section 6.4

Section C

Mock #3

9. (a) The process of developing a marketing plan:

- Conduct SWOT analysis - internal strengths and weaknesses, such as whether the publisher has a vast numbers of book titles to support the development costs and the financial situation. External opportunities and threats, such as whether the consumers are ready to read digital books, and the functionality of ebook readers and mobile devices. (4 marks)
- Define marketing objectives - within 3 years, 30% of book sales will come from electronic books. (2 marks)
- Business analysis - cost-and-benefit analysis (2 marks)
- Formulate marketing mix strategies - Product - assortment of books and compatibility with mobile devices. Price - discount compared to physical books. Place - company website and smart phone apps, book stores. Promotion - in book stores or on portal sites. (4 marks)
- Devise a marketing budget (1 mark)
- Decide on marketing control (1 mark)

Reference:
Refer to book 3(c) Marketing Management; Section 4.3

Reference:
Refer to book 3(a) Financial Management; Section 6.4

9 (b) Risk management methods

- Risk prevention/reduction - more accurate environmental analysis and forecasting
 - Risk assumption - set aside financial reserves in case of loss
 - Risk transfer - set up joint ventures with other publishers or bookstores to launch e-books
- (2 marks each, max 6 marks)

Reference:
Refer to book 3(b) Human Resources Management; Section 5.2-5.3

10. (a) Differences between salesperson and marketing manager training programs

	Salesperson	Marketing manager
Content	Mainly job-related and skill-based	Attitude-based and covering a wider scope
Frequency	More frequent	Less frequent
Trainer	Many in-house trainers mainly	Many trainers external
Criteria for evaluation	Usually measurable	Usually harder to quantify

(3 marks each, max 12 marks)

Reference:
Refer to book 3(b) Human Resources Management; Section 5.2-5.3

(b) How training helps to reduce employee turnover rate:

- Sales people acquire basic work skills to facilitate their work, leading to greater satisfaction.
- Staff consider training and development as an investment in themselves and a form of recognition.
- Staff would be surrounded by higher quality colleagues and achieve performance target when better working as a team.
- A well-conducted training and development program can motivate the staff.

(2 marks each, max 8 marks)