

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Mock Paper #5 (Management Module)

Name: _____

Class: _____ ()

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

Mock #5

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)

Mock #5

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

END OF PAPER

Mock Exam #5

Business, Accounting and Financial Studies Paper 2B

Section A

1.

Factors:

- Customer satisfaction: it calculates the difference between the actual performance of the products or services and the expected performance by customers. The higher the customer satisfaction to the products or services is, the higher the customer loyalty.
- Effectiveness of communicating with customers: it refers to whether the product information provided by the enterprise is timely and accurate, so as to assist the customers in decisions making. The more effective the communication with customers is, the higher the customer loyalty.
- Effectiveness of handling customers' complaints: it measures whether the enterprise can respond to the complaints promptly and appropriately. The more effective the enterprise handling customers' complaints are, the higher the customer loyalty.

(2 marks for each relevant factor, max. 6 marks)

2.

Methods:

- Product differentiation: produce phones with unique design and advanced technology, highlighting the advantages of the products over its competitors.
- Service differentiation: provide maintenance services, which are more professional and convenient than its competitors'.
- Channel differentiation: distribute products to the target customers through methods different from other producers, e.g. online shops, specialty stores, etc.
- Image differentiation: highlight its products through established brand or corporate image.

(2 marks for each relevant method, max. 6 marks)

3.

Reasons:

- Since purchases and sales may not occur at the same time, the store has to keep some products in order to satisfy the expected demand, so that customers can purchase easily.
- Holding inventory more than expected demand can avoid shortage due to instantaneous increase in demand or delay in delivery.
- The snacks shop expects the wholesale price will increase. It will purchase inventory more than the normal level; in order to save cost.
- Discount will be offered in bulk purchase, the shop can enjoy economies of scale.

(2 marks for each relevant reason, max. 4 marks)

4.

Disadvantages:

- Difficult to adapt: External job applicants may find it more difficult to adjust to the company's operation and culture than internal candidates.
- Lower morale: Filling job vacancies with external candidates may reduce the promotion opportunities of current employees, and thus lowering their morale.

(2 marks for each relevant disadvantage, max. 4 marks)

5.

Performance management is the activities carried out by managers to monitor employees' performance (1 mark), such as measuring, evaluating and remunerating employees' performance, etc (1 mark).

The purposes of performance management:

- Evaluating working performance: Managers can evaluate employees' performance according to the expected target, and make decision based on the evaluation result, so as to arrange tasks and allocate human resources efficiently.
- Notify workers of the enterprise's objectives: The performance standard is established according to the enterprise's objectives. This enables workers to understand the enterprise's objectives that they should strive towards.
- Developing workers' ability: Performance management enables managers to understand the strengths and weaknesses of the workers. This assists them to provide suitable training and guidance, so as to enhance workers' abilities.

(2 marks for each relevant purpose, max. 4 marks)

Mock #5

6.

Limitations:

- Difficult to analyse large companies: It is more difficult to analyse large companies using ratio analysis because large companies have many subsidiaries operating in different industries. So it is difficult to find comparable statistics.
- Different accounting standards: Different accounting standards may be in use in different companies. This affects the result of the calculation of financial ratio, making different companies' financial ratio incomparable.
- Modified statistics: Financial statistics may be modified by companies, making it better than its actual conditions.

(2 marks for each relevant purpose, max. 4 marks)

Mark #5

Section B

7.

(a) (i)

Maslow's hierarchy of needs theory:

- Employees did not have sufficient rest under excessively long working hours, their physiological needs cannot be satisfied.
- As the monthly average number of traffic accidents increases, the bus captains may feel threatened or in danger, and thus their safety and security needs cannot be satisfied.

(2 marks for each relevant description, max. 4 marks)

(7) (ii)

Adam's equity theory:

Existing employees observe that their efforts on work (input) are the same as the new employees, while their salaries (output) are lower than the latter (1 mark). They may find that their input-output ratio is higher than the new employees, so they would be dissatisfied with such unfair arrangement (1 mark).

(7) (b)

Advantages:

- Ensuring safety: Appropriate driving training equips bus captains with correct driving skills and road knowledge, avoiding them from having traffic accident, and ensuring safety of their own as well as the passengers.
- Reducing employees' dissatisfaction: Training promotes the personal development of bus captains. Trained bus captains will be grateful to the nurturance of the company. This reduces disagreements and makes the relationship between the management and bus captains more harmonic.
- Improving service quality: Training can improve the serving attitude of bus captains and enhance customer satisfaction.

(2 marks for each relevant advantage, max. 6 marks)

(c) (i)

Strategies:

- Risk transfer: Purchase an oil futures contract to hedge against the risk of the increase in oil price, and transfer the risk to the seller of the contract.
- Risk avoidance: Use electric buses instead of fuel buses, so as to avoid the risk of the increase in oil price.

(2 marks for each relevant strategy, max. 4 marks)

(ii)

Strategies:

- Risk transfer: Purchase insurance for traffic accidents and transfer the risk to the insurance company.
- Risk avoidance: Provide more training to bus captains so as to reduce the possibility of traffic accidents.

(2 marks for each relevant strategy, max. 4 marks)

(7) (d)

Ratios and measured aspects:

- Rate of return on asset: Measuring the profitability of Dragonbus without considering its financial structure.
- Rate of return on common stock equity: Measuring the return on capital from Dragonbus's ordinary shareholders.
- Rate of return on equity: Measuring the return on capital from all shareholders of Dragonbus

(2 marks for each relevant ratio, max. 6 marks)

Q 8.

(a)

Methods:

- Set the advertising expenses at a particular percentage of the current or estimated sales.
- Follow the advertising budgets of the rivals.

(2 marks for each relevant method, max. 4 marks)

(b)

Aspects:

- The feeling to the advertisement of the target audiences.
- Whether the target audiences notice or can think of the advertisement.
- How many main points of the advertisement the target audiences can think of.
- How does the target audience's attitude towards the product change after they watched the advertisement.

(1 mark for each relevant aspect, max. 2 marks)

Mock #5

Q8 (c)

Product strategy:

- Provide various types of products to attract more customers; e.g. launching snowy moon cakes in addition to the traditional moon cakes.
- Redesign the packages; e.g. invite popular designers to design the package.
- Use more healthy raw materials to produce traditional cakes.
- Design a new logo for Ming Wah Bakery.

(2 marks for each relevant measure, max. 4 marks)

Promotion strategy:

- Use promotion methods to build traffic and brand recognition, e.g. coupons, premiums, etc.
- Send press releases to newspaper publishers to build brand awareness.

(2 marks for each relevant measure, max. 4 marks)

(d)

Extrinsic factors:

- Market characteristics: The bakery must consider the market situation of traditional cakes; for example, if the market of traditional cakes is oligopoly, its pricing will be affected by other bakeries.
- Customers' demand: The bakery must consider customers' demand; if their demand is low, price cannot be too high.
- Competitors' strategies: The bakery must consider the strategies of its competitors, for example, whether the competitors will follow suit if the bakery adjusts its prices.

(2 marks for each relevant reason, max. 2 marks)

(e) (i)

If Ming Wah Bakery issues shares to the public, the existing shareholders must share the controlling rights of the company with new shareholders, weakening the former's controlling rights of the company.

(2 marks for each relevant reason, max. 2 marks)

(ii)

Sources of funds:

- Borrow from banks: If the enterprise is able to repay the interest, the enterprise can enjoy all the profits earned solely.
- Use of retained earnings: The use of retained earnings does not incur any problems of interest payment or maturity date.

(3 marks for each relevant source of fund and reason, max. 6 marks)

Q 9.

Mock #5

(a)

Possible reasons of the variance of the wage rate:

- Many garment workers move to other industries or get a job overseas. Hence, the unanticipated fall in labour supply will raise the wage rate in the market, and the direct labour cost of the garment factory will rise.
- The new design of clothing requires higher technique. Hence, the garment factory has to hire some experienced workers, whose wage rates should be higher.
- Increase in the number of orders is out of expectation. Hence, the garment workers need to work overtime. If wages of overtime are higher, their average hourly wage will rise.

(4 marks for each relevant reason, max. 8 marks)

(b)

Differences:

	Year-end bonuses	Paid leaves
Incentive effects	- Year-end bonuses are usually paid in terms of cash. It can be linked to the performance of designers. Hence, the motivation effect should be larger.	- Paid leave is a kind of indirect remuneration. Thus, it cannot cause any direct motivation effect. - Paid leave can maintain the designers' physical and mental health. It may inspire their creation.
Financial burden	- Year-end bonuses can be linked to the performance of the garment factory. If the performance of the garment factory is poor, the amount of year-end bonuses can be reduced. The financial burden of the factory is lighter.	- Increase in the paid leaves can benefit all designers. However, the labour supply may not satisfy the garment factory's need. Hence, they need to hire more workers or request them to work overtime, it increases the financial burden indirectly.
Administrative costs	- The garment factory can base on the performance of designer to calculate the year-end bonus.	- Increase in the paid leaves can benefit all designers, but the extra administrative cost in
	However, the management has to evaluate the performance of each designer. It will involve extra administrative cost.	calculating the holiday is lower than that of calculating the bonus payment.

(4 marks for each relevant comparison, max. 12 marks)

7-

Mock #5

10.

(a)

	Telephone interview	Online survey	Face-to-face interview
Research cost	Low cost: Interviewers only need to stay in office. This enables the researchers to collect lots of data within a short period of time.	Low cost: The browse rate of online survey can be high, and thus, the average production cost is low.	High cost: Interviewers need more training and they have to contact interviewees directly. Hence, it involves longer time and the cost should be higher.
Interviewer bias	Small interviewer bias: There is a set of standard questions for the telephone interview usually. Interviewers only need to ask the interviewees based on the cues, this narrows interviewer bias.	Incur no interviewer bias: Interviewees of online survey can answer the questions on their own. It is not affected by interviewer bias.	Large interviewer bias: Face-to-face interview needs the explanation of the interviewers. The result of the research is affected by interviewer bias.

(6 marks for each relevant aspect, max. 12 marks)

(b)

Content:

- Question and objective of the research: Firstly we need to state the problem that the enterprise faced in the market research report, and point out the assumptions and objectives of the research.
- Methods of research: The market research report should also state the information collected from the research and the methods used in research, e.g. Questionnaire.
- Result of the research: Researchers summarise the information collected from the research, present the result and analyse the advantages and disadvantages towards the enterprise.
- Suggestions: Researchers give suggestions to the enterprise for solving the difficulties faced based on the research.

(2 marks for each relevant part, max. 8 marks)