

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Mock Paper #6 (Management Module)

Name: _____

Class: _____ ()

SECTION A

Answer **ALL** questions in this section.

1. Explain two advantages of using debt financing. (4 marks)

2. List two activity ratios and state what aspects of management efficiency each of them measures. (4 marks)

3. List four commonly used channels for external recruitment. (4 marks)

4. Outline three types of consumer protection measures in Hong Kong. (6 marks)

5. Describe three differences between a consumer market and a business market. (6 marks)

6. Conciliation and arbitration are commonly used in resolving labour disputes. Outline three differences between them. (6 marks)

SECTION B

Answer ALL questions in this section.

7. Moon Flower is a small travel agency established eight years ago specialising in selling travel related products and making travel arrangements for business and individual travellers. Daisy, the sole owner of Moon Flower, makes all the major decisions and relies only on ad hoc meetings to communicate with her employees. As a result, staff in the firm get used to waiting for Daisy's instructions and follow closely her work orders.

Moon Flower has been growing steadily with the recent increase in people travelling abroad. However, as the level of manpower is more or less the same as eight years ago, the workload of staff has become very heavy and most staff need to come to the office early in the morning and leave late at night. Although overtime payments are paid to the front-line employees in addition to their basic salary, they are dissatisfied and complain about overwork and underpayment compared to the industry average. Some of them have even started looking for new jobs and plan to leave the firm.

In addition, there seems to be a lack of coordination among employees, which leads to frequent delays of work and some key corporate accounts left unattended. Complaints over the poor service of the firm are increasing and employees are busy handling angry customers.

Daisy is very worried about the situation. She tries to establish a manpower plan and revise the existing compensation system to cope with the problems. In view of the potential growth in the business, Daisy also considers expanding her business by establishing a website and setting up new branches in other districts. Apart from the Small and Medium Enterprises (SME) Development Fund, Daisy wants to explore other sources of funds for the operations and expansion of the business. Therefore, she starts to analyse the firm's financial position and prepare a cash budget.

- (a) Describe two advantages of Daisy's practice of making all the major decisions of Moon Flower by herself. (4 marks)
- (b) Explain why the front-line employees of Moon Flower feel dissatisfied with reference to:
- (1) Maslow's Hierarchy of Needs Theory (4 marks)
- (2) McGregor's Theory X and Theory Y (4 marks)
- (c) Suggest two measures by which the situation of lack of coordination among Moon Flower's employees can be improved. (4 marks)
- (d) Describe the steps in manpower planning that Daisy should follow. (8 marks)
- (e) Apart from the SME Development Fund, list two other sources of funds for Moon Flower's operations and expansion. (2 marks)

(Total: 26 marks)

8. Century Group is a large local manufacturer of consumer electronics with a mission to provide entertainment to as many people as possible. With the growing popularity of interactive electronic games, the Group has developed a four-dimensional (4D) portable electronic game device. In a management meeting, Mr Lam, the Chief Executive Officer, said, "After spending several years on research and development (R&D), it's time for us to reap our rewards and be the leader in the market."

Ms Ho, the Marketing Manager, responded, "To launch the new product, we need to develop effective marketing strategies. As the 4D portable electronic game device is in the introductory stage of the product life cycle, we have to select our target market carefully and formulate appropriate marketing mix strategies. According to my preliminary analysis, the new product can be marketed as a high-priced version which targets high income professionals, or it can be marketed as a low-priced version which targets the general public." The estimated net cash flows of the two versions are presented in the following table:


	<u>High-priced version</u> \$ (in millions)	<u>Low-priced version</u> \$ (in millions)
Year 0	-100	-70
Year 1	40	30
Year 2	60	50
Year 3	80	80
Year 4	50	60
Payback Period	2 years	?
Net Present Value (cost of capital is 10%)	\$80 206 270	?

Mr Lam said, "Your analysis reminds us that we have to be aware of the financial implications of launching the new product. Since we have already spent a vast amount of capital on the R&D of the new product in the past few years, if we further spend a considerable amount of money in marketing the new product, the pressure on capital would put our Group into a tight financial situation. As our Group is not able to undertake both versions, we have to choose one of them. I would choose the low-priced version."

Mr Fok, the Financial Manager, remarked, "I think financial control is important. Say for example, although the purchase price of raw materials and the wage rate of our employees were the same as budgeted, the actual spending on these two areas substantially exceeded the budgeted spending in the last financial year."

- (a) With reference to the concept of the product life cycle, state four characteristics of the market of the 4D portable electronic game device. (4 marks)
- (b) Ignoring any tax implications, calculate (1) the payback period and (2) the net present value of the low-priced version of the 4D portable electronic game device. Show your workings. (4 marks)
- (c) Give three reasons to explain why Century Group should launch the low-priced version of the 4D portable electronic game device. (6 marks)
- (d) Suggest the appropriate marketing mix strategies for the low-priced version of the 4D portable electronic game device. (8 marks)
- (e) For (1) raw materials and (2) wages, suggest a reason for each to explain why there was a variance between the actual spending and the budgeted spending of Century Group in the last financial year. (2 marks)

(Total: 24 marks)

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SECTION C

Answer **ONE** question in this section.

9. A company is considering applying for the rights to distribute a branded electric car in Asia. As a risk reduction measure, the company plans to conduct market research to assess the market potential of the electric car.

(a) Describe the steps involved in conducting market research to assess the market potential of the electric car. (8 marks)

(b) Suppose the company finally got the distribution rights. Apart from the risk reduction strategy, discuss the other risk management strategies that the company can adopt for distributing the electric car. (12 marks)

(Total: 20 marks)

10. A large company has recently employed a group of young university graduates who have a great need for achievement. The company wants to develop them to take up senior management positions in the future. Discuss how the company could tailor its human resources management functions to support the development of the new recruits. (20 marks)

(Total: 20 marks)

END OF PAPER

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QUESTION 1

Marks

Advantages:

4

- interest expenses are tax-deductible
 - avoid dilution effect
 - enjoy leveraging effect
- (2 marks for each relevant advantage, max. 4 marks)

QUESTION 2

Ratios and aspects of each measure:

4

- inventory turnover: measure the efficiency of using inventory in generating sales
 - collection periods: measure the ability to collect receivables in a timely manner
 - total assets turnover: measure the efficiency of using total assets in generating sales
- (2 marks for each relevant point, max. 4 marks)

QUESTION 3

Channels:

4

- job advertisements
 - job fairs/walk-in days
 - employment agencies / headhunters
 - employees' referrals
 - Labour Department
- (1 mark for each relevant channel, max. 4 marks)

QUESTION 4

Types of measures:

6

- legislation
 - consumer education
 - product research and testing
 - handling consumer complaints
- (2 marks for each relevant type, max. 6 marks)

QUESTION 5

Differences:

	<i>Consumer market</i>	<i>Business market</i>
- Number of buyers	more	fewer
- Volume of each purchase	smaller	larger
- Purpose of purchase	consumption	production
- Relationship with sellers	shorter term	longer term

6

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

QUESTION 6

Mock #6

Marks

Differences:

6

<i>Conciliation</i>	<i>Arbitration</i>
- the third party (conciliator) acts as a liaison between the disputing parties	- the third party (arbitrator) reviews the dispute at a hearing
- the purpose is to allow management and labour to focus on issues and share information	- the purpose is to settle the dispute and give a decision
- can begin without the consent of both parties	- begins only if the two parties agree to proceed
- decision is not a must	- the decision is usually binding

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

QUESTION 7

Marks

- (a) Advantages: 4
- maintain closer control
 - avoid duplication of effort
 - policies and work orders are more consistent and uniform
- (2 marks for each relevant advantage, max. 4 marks)
- (b) (1) Maslow's Hierarchy of Needs Theory: 4
- physiological needs: deteriorating working conditions due to long working hours
 - safety needs: emotional insecurity due to customer complaints
- (2 marks for each relevant description, max. 4 marks)
- (2) McGregor's Theory X and Theory Y: 4
- Theory X: underpayment
 - Theory Y: low autonomy
- (2 marks for each relevant description, max. 4 marks)
- (c) Measures: 4
- formal and regular meetings
 - written rules and procedures
 - informal mechanisms
- (2 marks for each relevant measure, max. 4 marks)
- (d) Steps: 8
- forecast manpower demand: e.g. plan for the expansion and IT development
 - estimate manpower supply: e.g. assess the turnover rate under different scenarios
 - compare manpower demand and supply: e.g. ascertain the skills deficiencies in IT development
 - develop action plan and follow up: e.g. recruitment and training
- (2 marks for each step, max. 8 marks)
- (e) Other sources of funds: 2
- invite friends and / or relatives as partners
 - delay payment to creditors / speed up collection from debtors
 - apply for bank loans / borrow money from third parties
- (1 mark for each relevant source, max. 2 marks)

Total: 26 marks

QUESTION 8

Marks

- (a) Characteristics: 4
- sales: low
 - profit: negative
 - costs: high cost per customer
 - customers: innovators
 - competitors: few
- (1 mark for each relevant characteristic, max. 4 marks)
- (b) (1) Payback period of the low-priced version: 1
- $$\left[1 + \frac{40}{50} \right] \text{ years}$$
- = 1.8 years 1
- (2) NPV of the low-priced version: 1
- $$\$ \left[-70\,000\,000 + \frac{30\,000\,000}{1.1} + \frac{50\,000\,000}{(1.1)^2} + \frac{80\,000\,000}{(1.1)^3} + \frac{60\,000\,000}{(1.1)^4} \right]$$
- = \$99 681 033 1
- (c) Reasons: 6
- size of segment: number of customers in the general public segment is greater than that of the high income customers
 - company's resources: the company is short of capital and launching the low-priced version requires less capital and the payback period is shorter
 - company's objective: making the 4D portable electronic game device more affordable meets the company's objective
 - return/profitability: the NPV of launching the low-priced version is higher
- (2 marks for each relevant reason, max. 6 marks)
- (d) Marketing mix strategies: 8
- product: basic product
 - price: penetration pricing
 - promotion: build product awareness, heavy sales promotion
 - place: selective distribution
- (2 marks for each relevant strategy, max. 8 marks)
- (e) (1) Reason: usage / wastage of raw materials is more than estimated 1
- (2) Reason: usage / wastage of labour is more than estimated 1

Total: 24 marks

QUESTION 9

Marks

- | | | |
|-----|---|-----|
| (a) | Steps in conducting market research: | |
| | – define the problem and research objectives | 1 |
| | – develop the research plan: | 4 |
| | – specific information needs | |
| | – research approaches | |
| | – sampling plan / contact methods | |
| | – research instruments | |
| | – implement the research plan: | 2 |
| | – data collection | |
| | – data analysis | |
| | – interpret and report the findings | 1 |
| | | (8) |
| (b) | Other strategies: | 12 |
| | – risk avoidance: give up some high risk segments, such as staying away from politically unrest regions | |
| | – risk assumption: absorb the loss, such as setting up a reserve fund | |
| | – risk transfer: transfer the risk to a third party, such as by taking out insurance | |
| | (4 marks for each strategy, max. 12 marks) | |

Total: 20 marks

QUESTION 10

- | | |
|---|----|
| Human resources management functions: | 20 |
| – orientation: communication of the company's expectations | |
| – training: specialist training for key departments of the company | |
| – development: generalised development for senior management position | |
| – placement (job rotation): placement during their career path | |
| – compensation: performance-based reward system; promotion as reward; reward highly competitive as compared to the market | |
| – performance evaluation: frequent feedbacks | |
| (4 marks for each relevant function, max. 20 marks) | |

Total: 20 marks

END OF PAPER 2B