

South Tuen Mun Government Secondary School  
Business, Accounting and Financial Studies  
Mock Paper #8 (Management Module)

Name: \_\_\_\_\_

Class: \_\_\_\_\_ ( )

**SECTION A**

Answer **ALL** questions in this section.

1. Explain three reasons why customer relationship management will help increase sales. (6 marks)
  
2. Describe three ways in which a travel agency could satisfy the rights of consumers. (6 marks)
  
3. Illustrate two methods by which an import/export company could hedge against its foreign exchange risk. (4 marks)
  
4. Recommend two ways in which a company could manage its accounts receivable effectively. (4 marks)
  
5. Explain three disadvantages to a company of using interviews in the recruitment process. (6 marks)
  
6. Briefly describe two elements that should be included in a staff disciplinary system. (4 marks)

## SECTION B

Answer ALL questions in this section.

7. Mr Wong has founded and managed Wai Fu Limited for more than 20 years. Mr Wong believes in exercising strict control over staff behavior and performance. He has introduced detailed work procedures and stringent rules and regulations. Very close supervision and severe punishments are imposed on staff to ensure their behavior and performance comply with the company's requirements. Furthermore, Mr Wong believes that, with such close supervision, there is no need to invest resources on staff training and development.

Over the last few years, a number of staff have left the company or retired. The education level and qualifications of the new recruits are generally better. Initially they were enthusiastic and often worked overtime for no extra pay. Later, they started to express dissatisfaction with their supervisors for strict staff control over minor matters, such as occasional late arrival of less than 5 minutes.

The number of customer complaints increased tremendously in the last two years, and the staff turnover rate reached 40% for the past 12 months. In addition, there has been a drastic drop in the company's sales and profits.

Mr Wong's son, David, has recently returned to Hong Kong from the US to take up the management of the company. After studying the situation carefully and meeting with some staff, David concludes that the company is faced with the problem of low staff morale and its first priority is to change the style of staff supervision.

David also proposes that training and development should be provided to all staff over three years but is not sure about the approach of offering the programs. He is told that hiring the service of a training consultancy firm would require an immediate payment of \$320 000 for the contract. Alternatively, if a professional trainer is employed to provide in-house training, the following payments (all made at the beginning of the respective year) will be required:

First year:	\$100 000
Second year:	\$110 000
Third year:	\$120 000

- (a) Explain why Wai Fu Limited is faced with the problem of low staff morale with respect to:
- (i) Herzberg's dual factor theory (3 marks)
  - (ii) McGregor's motivation theory (3 marks)
- (b) (i) Explain three benefits to Wai Fu Limited of providing training and development programs to staff. (6 marks)
- (ii) Describe the steps that Wai Fu Limited should adopt in the training process. (6 marks)
- (c) (i) Based on present value (PV) calculations, advise whether the company should hire a training consultancy firm or employ an in-house training professional. (Note: Assume the cost of capital is 8% per annum.) (2 marks)
- (ii) Suggest one financial factor that will cause Wai Fu Limited not to make the decision based on the PV results. (2 marks)
- (d) Discuss two non-financial factors that should be considered in deciding the approach of offering the training programs. (4 marks)

(Total: 26 marks)

8. Starlight Hotel is a four-star hotel situated in Kowloon City near the former airport. The hotel offers more than 300 guest rooms, 6 restaurants and bars, as well as other entertainment facilities. With its strategic location, the hotel enjoyed a high occupancy rate. After the relocation of the airport from Kowloon City to Chap Lap Kok, the occupancy rate of the hotel has dropped over the years. Last year, the hotel recorded a net loss in its operation.

Raymond Kwok, General Manager of the hotel, is eager to turn the situation around. With the introduction of 'Individual Visit Scheme' and the recovery of long-haul travel, Raymond is still optimistic about the hospitality industry in Hong Kong. During a management meeting, Raymond asked Winnie Chan, Marketing Manager of the hotel, 'Do you have any suggestions that can turn our situation around?'

'One of the problems we are facing is the fluctuating demand. The occupancy rate of our hotel is satisfactory during the peak periods in July and October. I think the key to increase our profit is to boost the sales during off-peak periods,' Winnie replied.

'It sounds reasonable. Apart from improving our occupancy rate during off-peak periods, we can develop a membership scheme to boost the sales of our food and beverage outlets. Guests who have paid a yearly membership fee can enjoy discounts and other privileges in our restaurants and bars,' Raymond suggested.

- (a) Illustrate three risk management strategies with respect to the operation of a hotel. (6 marks)
- (b) With respect to the characteristics of service, discuss three possible causes leading to the unsatisfactory occupancy rate of Starlight Hotel. (6 marks)
- (c) Describe the major elements of the marketing plan for the membership scheme suggested by Raymond. (8 marks)
- (d) Besides the membership scheme, propose two other ways of increasing sales during off-peak periods. (4 marks)

(Total: 24 marks)

**Section C**

Answer **ONE** question in this section.

9. Bertha Limited is a Hong Kong based small enterprise engaged in the manufacture and retailing of fashion for young ladies. In view of the growing popularity of its products, the company is planning to expand its business substantially. At the same time, the company is going to evaluate all its existing jobs to revise its reward system so as to attract more professionals to join the company.

(a) Describe the assistance Bertha Limited may, as a small and medium enterprise (SME), obtain from the Government in financing its expansion. (8 marks)

(b) Discuss why an SME and a large corporation would differ in their choice of job evaluation methods. (12 marks)

(Total: 20 marks)

10. Besides selling to individual consumers through its own retail outlets, a manufacturer of bathroom and kitchen products also sells to property development companies who buy in bulk for building residential flats.

(a) With respect to the bulk purchase of bathroom and kitchen products, illustrate the buying decision-making process of the property development companies. (8 marks)

(b) Compare and contrast the marketing mix strategies that the manufacturer would adopt for business buyers and individual consumers. (12 marks)

(Total: 20 marks)

**END OF PAPER**



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**Paper 2B**  
**Business Management Module**

*General Principles of Marking*

1. The answers given in this marking scheme are 'suggestions' only. Other relevant answers will also be accepted.
2. Where the number of points required is specified in a question, mark the first listed points up to the number required, and cross out other points as 'excess'.
3. Essay questions require a discussion of the different aspects involved and a maximum mark is set for each point given in the marking scheme.
4. The general guidelines for points which are awarded 1-4 marks each are as follows:  
0 mark - irrelevant or ambiguous answers  
1 mark - relevant phrases containing key words that answer the question  
1½ or 2 marks - a relevant point or answer with a brief explanation of the concept/key words stated  
3-4 marks - a relevant point or answer elaborated with illustration of how it is related to the given scenario

**QUESTION 1**

**Marks**

Reasons:

6

- identify valuable customers
- provide customized products or services
- offer cross-selling and/or up-selling
- establish long-term relationship with customers so as to increase potential long-term sales

(2 mark for each relevant reason, max. 6 marks)

6 marks

**QUESTION 2**

**Marks**

Ways:

6

- right to be informed: provide sufficient information to the consumers about the itinerary (e.g. accommodation arrangements and scenery spots to be visited)
- right to safety: avoid high-risk / dangerous activities
- right to be heard: prompt response to customers' enquiries and complaints about the tour
- right to choose: provide a wide choice of tours

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

6 marks

Mark #8

**QUESTION 3**

**Marks**

Methods:

4

- buy/sell standardized FOREX futures contracts
  - buy call or put foreign currency options
  - enter into agreements on foreign currency swaps
- (2 marks for each relevant arrangement, max. 4 marks)

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4 marks

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**QUESTION 4**

**Marks**

Ways:

4

- establish a workable credit policy to screen customers before granting credit
  - establish a written policy and let each customer know in advance the company's credit terms
  - establish practice of sending invoices for payment promptly
  - establish immediate follow-up measures for those accounts that are overdue
- (2 marks for each relevant way, max. 4 marks)

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4 marks

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**QUESTION 5**

**Marks**

Disadvantages:

6

- high administrative cost
  - time-consuming
  - subject to personal bias
  - only a snapshot of the candidate's performance
- (2 marks for each relevant disadvantage, max. 6 marks)

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6 marks

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**QUESTION 6**

**Marks**

Elements:

4

- communication: explain to staff the mechanics of the system and ensure all of them are duly informed
  - progression: disciplinary measures should be graded e.g. verbal warning, written warning, suspension from duties, summary dismissal or termination of employment
  - documentation: details such as 'breach of disciplinary regulations', disciplinary action taken, employee's self-defense and validity of disciplinary action taken should be sufficiently recorded and dated
  - appeal mechanism: establish clear procedures for appeals
- (2 marks for each relevant element, max. 4 marks)

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4 marks

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Mark #8

**QUESTION 7** **Marks**

- (a) (i) Herzberg's dual factor theory: 3
- a command and control environment hampers the satisfaction of hygiene factors and does not cater for motivators; stringent rules and regulations may hinder the satisfaction of higher level needs e.g. growth and development, sense of achievement, etc.
- (ii) McGregor's motivation theory: 3
- mismatch with staff needs: Mr Wong is basically a Theory X entrepreneur who assumes that employees are inherently lazy and will avoid work if they can, but the new staff might have higher career expectations
- (b) (i) Benefits: 6
- enhance staff's commitment to the company
  - enhance knowledge and skills of staff
  - maximize individual productivity and potential
  - prepare staff for changes
- (2 marks for each relevant benefit, max. 6 marks)
- (ii) Steps: 6
- identify training needs
  - devise and implement training programs to meet the training needs revealed in training gap
  - measure the performance achieved after training
  - evaluate the cost effectiveness of the training programs
- (1½ marks for each relevant step, max. 6 marks)
- (c) (i) 

First year	\$100 000	
Second year	$\$110\,000 / (1+8\%)$	101 852
Third year	$\$120\,000 / (1+8\%)^2$	<u>102 881</u>
		<u>304 733</u>

1
- As the PV of employing a training professional is less than \$320 000, the cost of hiring a training consultancy firm, the company should choose to employ an in-house training professional. 1
- (ii) Financial factors: 2
- the company is faced with tight cash position
  - high opportunity cost of the amount involved
- (2 marks for a relevant factor, max. 2 marks)
- (d) Non-financial factors: 4
- the range/specificity of expertise involved
  - other supporting factors e.g. venue, staff deployment
  - long term training needs
  - alignment with corporate culture
- (2 marks for each relevant factor, max. 4 marks)

26 marks

Moyle #8

**QUESTION 8**

**Marks**

- (a) Strategies: 6
- risk avoidance: e.g. avoid offering rooms to guests whose identities are suspicious
  - risk prevention/reduction: e.g. protective security system
  - risk assumption: e.g. accept minor damage like broken glasses in food and beverage outlets, or set aside a reserve fund to cover loss
  - risk transfer: buying insurance against theft and fire
- (2 marks for each relevant strategy, max. 6 marks)
- (b) Causes: 6
- perishability, e.g. cannot stock up room service to meet seasonal demand
  - intangibility, e.g. poor customer service
  - inseparability, e.g. lack of proximity to prospective customers
  - heterogeneity, e.g. quality level of food and accommodation service is not steady as skills and experience of staff members vary
- (2 marks for each relevant cause, max. 6 marks)
- (c) Marketing plan: 8
- situational analysis and marketing objectives, e.g. SWOT analysis, number of members to be recruited
  - selection of target market and positioning, e.g. high-income customers who frequently dine out
  - setting the marketing mix (4P), e.g. competitive membership fee, personal selling, members' privileges, online booking
  - implementation and evaluation, e.g. corrective actions to be taken if there is any deviation between the results and the objectives
- (2 marks for each element, max. 8 marks)
- (d) Ways: 4
- reduce prices in off-peak periods to stimulate sales
  - offer value-added services, e.g. free internet service in the rooms
  - change some of the hotel suites into service apartments
  - offer promotion package to local residents during weekends
  - promote other services, e.g. hire of venue for business conferences or exhibitions, food festivals
- (2 marks for each relevant way, max. 4 marks)

24 marks



Mark #8

**QUESTION 9**

**Marks**

- (a) Government assistance to SMEs:
- SME Loan Guarantee Scheme
  - SME Training Fund
  - SME Export Marketing Fund
  - SME Development Fund

8

(2 marks for each relevant form of assistance, max. 8 marks)

- (b) Differences:

12

	SME	Large corporation
Comprehensiveness and complexity	<ul style="list-style-type: none"> <li>- Job ranking method is most suitable to SMEs because of its simplicity and non-analytical nature.</li> </ul>	<ul style="list-style-type: none"> <li>- Factors comparison and point methods are sophisticated, quantitative techniques. They are more complex, costly and time-consuming and are mostly adopted only by large corporations.</li> </ul>
	<ul style="list-style-type: none"> <li>- Classification or job grading method is simple, semi-analytical, and inexpensive and might be suitable for both.</li> </ul>	
Formalization:	<ul style="list-style-type: none"> <li>- Job ranking method is the least formalized as it only requires the ranking of jobs from the highest to the lowest. It is often based on subjective judgment and therefore more suitable for SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- Factors comparison and point methods require the setting up of committees to make precise judgment on selecting key jobs as standard and allocate points to job criteria, etc.</li> <li>- Classification or job grading method also requires the setting up of a committee to develop written definitions for each grade of job.</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>- Job ranking and classification methods are more flexible as they do not involve complicated administration. Standards may be changed easily by SMEs with fairly homogeneous jobs.</li> </ul>	<ul style="list-style-type: none"> <li>- Factors comparison and point methods require a lot of discussion and objective judgment and take time and money to develop. They will not be changed easily once set up. They are therefore more commonly adopted by large corporations.</li> </ul>
Time horizon	<ul style="list-style-type: none"> <li>- The time horizon of job ranking and classification methods is usually short e.g. one year, as the designs are largely based on impressionistic (or even intuitive) judgment. The criteria may be changed every year. Therefore the methods are more suitable for most SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- As the factors comparison and point methods take time and money to develop and more objective factors are used in their development, the systems tend to be used for longer periods of time and they are therefore more suitable for large corporations.</li> </ul>

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

20 marks

Mark #8

**QUESTION 10**

**Marks**

- (a) Buying decision-making process: 8
- recognize the problem: e.g. identify new market needs for real estate projects
  - determine product needs and describe product specifications: e.g. characteristics and quantity of the items needed
  - search for suppliers: e.g. seek out qualified suppliers and invite them to submit tenders
  - assess and select suppliers: e.g. review tenders and select supplier(s) based on criteria such as price, quality and reputation
  - evaluate overall performance: e.g. the company evaluates suppliers' performance.
- (2 marks for each step, max. 8 marks)

- (b) Comparison of marketing strategies: 12

	Business buyers	Individual consumers
Product	<ul style="list-style-type: none"><li>- More tailor-made products</li><li>- Product support is critical, e.g. more organized after-sales service</li></ul>	<ul style="list-style-type: none"><li>- More standardized products</li><li>- Usually offer warranty for a limited period of time</li></ul>
Pricing	<ul style="list-style-type: none"><li>- Competitive bidding and negotiation; list price on standardized products</li><li>- Bulk discounts</li></ul>	<ul style="list-style-type: none"><li>- List price</li><li>- Promotional discounts</li></ul>
Promotion	<ul style="list-style-type: none"><li>- Promotion strategies suitable for concentrated customers, e.g. promotion by own sales force.</li></ul>	<ul style="list-style-type: none"><li>- Promotion strategies suitable for scattered customers, e.g. mass advertising</li></ul>
Place	<ul style="list-style-type: none"><li>- Direct channel by own sales force</li></ul>	<ul style="list-style-type: none"><li>- Direct channel through own retail outlets</li></ul>

(3 marks for each aspect, max. 12 marks)

20 marks