

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 2B
Business Management Module

10.30 am – 12.45 pm (2 hours 15 minutes)

This paper must be answered in English

INSTRUCTIONS

- (1) There are three sections in this paper.
- (2) All questions in Sections A and B are compulsory. You are required to answer one of the two questions in Section C.
- (3) Write your answers in the answer book. Start **each** question (not part of a question) on a **new page**.

Not to be taken away before the
end of the examination session

SECTION A (24 marks)

Answer **ALL** questions in this section.

1. Describe three limitations of using budgetary control to assess the performance of a sales department. (6 marks)
2. Explain two risk management strategies a convenience store could adopt to deal with shoplifting. (4 marks)
3. Explain three benefits to a company of providing orientation programmes to new employees. (6 marks)
4. Explain with one example each the meaning of “input” and “output” in Adams’ Equity Theory. (4 marks)
5. List four ordinances that might help protect consumer rights in Hong Kong. (4 marks)

SECTION B (36 marks)

Answer **ALL** questions in this section.

6. Lucky Company Limited (Lucky) is a health food producer established in Hong Kong ten years ago. It sells to retailers such as supermarkets and specialty stores, and runs its own retail stores. In view of the keen competition and rising operating costs, Alan, the General Manager, called a meeting to discuss the following suggested measures to improve profitability:

- tighten up credit policy
- freeze the salaries of all employees
- introduce strict control over salespeople’s work behaviours

Billy, the Finance Manager, agreed to the suggestions and said, “We have a high level of bad debts which makes it difficult to meet short-term obligations. We have been offering very generous terms to retailers. We now need to tighten up our credit policy.”

Calvin, the Marketing Manager, added, “We should not rely on our retailers to boost sales. We’d better launch more promotions directly to the consumers to stimulate sales in our own retail stores.”

Daisy, the Human Resources Manager, was concerned about the last two of the suggested measures, saying, “Our absenteeism and turnover rates are increasing and many staff are not willing to work hard. Freezing their salaries may worsen the situation. I also wonder if strict control over the salespeople will be effective. Shall we consider giving them some non-monetary rewards?”

- (a) With reference to any two elements of credit policy, explain how Lucky can tighten its credit to retailers. (4 marks)
- (b) For any three elements of the promotion mix, suggest one way each for Lucky to stimulate the sales in its own retail stores. (6 marks)
- (c) With reference to two relevant assumptions of McGregor’s Theory X and Theory Y, explain why strict control over the salespeople could make them work hard. (4 marks)
- (d) Suggest four non-monetary rewards that Lucky could give to its salespeople. (4 marks)

(Total: 18 marks)

7. Sunlight Fitness is a fitness chain set up by Peter with the mission of providing customers with excellent fitness experiences. Its centres are equipped with a range of advanced equipment suitable for customers of all fitness levels. Benefiting from the healthy living trend in Hong Kong, the company has enjoyed good sales and profits in the early years of its operation.

The fitness service industry has become more competitive in recent years and the growth in sales and profits of Sunlight Fitness has slowed down. Its financial data of 2013 and 2014 is extracted below:

	<u>2013</u>	<u>2014</u>
	\$'000	\$'000
Sales	30 000	35 000
Net profit before tax	9 000	9 450
Total assets (as at 31 December)	12 500	17 500

In a management meeting, Peter said, "Although our sales and net profits are increasing, the net profit margin has decreased. Shall we calculate the total assets turnover as well to find out more?"

Paul, the Centre Manager, said, "At the same time, we are receiving more and more customer complaints. They complained about the long queues to use the fitness equipment during peak hours. In addition, they are unhappy with the cleanliness of the centre, especially when they find other users' sweat stains on the equipment. Customers also said that trainers are difficult to book, even though the trainers are often found chatting with customers."

Mary, the Marketing Manager, remarked, "To increase our competitiveness and outperform our competitors, we must enhance our service quality. I have also noticed that beauty services are increasingly patronised by male customers in Hong Kong. I believe the market of beauty services for men has good potential as it's now in the growth stage of the product life cycle."

Paul responded, "I agree with you! We can set up a beauty centre to provide skin and beauty care services to male customers. We will introduce the safest and most advanced equipment and recruit experienced beauty consultants through interview."

Peter queried, "Is interview really an effective means of choosing the right applicants?"

- (a) (i) Calculate the total assets turnover of Sunlight Fitness for 2013 and 2014. (2 marks)
- (ii) Give one reason for the change in total assets turnover in (i) above. (2 marks)
- (b) With reference to any three characteristics of service, explain how Sunlight Fitness can enhance the service quality of its fitness centres. (6 marks)
- (c) Explain two limitations of using interview as a means of choosing beauty consultants for the beauty centre. (4 marks)
- (d) Suggest a product strategy and a pricing strategy for the beauty centre. For each strategy, justify your suggestions with one characteristic of the growth stage of the product life cycle. (4 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer **ONE** question in this section.

8. In view of its promising prospects, a listed fashion retail chain is planning to expand its business and is considering using debt or equity financing.
- (a) Describe the manpower planning process which should be used for the expansion of the retail chain.
(8 marks)
 - (b) Explain the criteria that the retail chain could use to evaluate whether to use debt or equity financing.
(12 marks)
- (Total: 20 marks)
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9. The banquet service is one of the main sources of income for hotels in Hong Kong. Customers usually hold banquets in hotels for weddings or birthdays.
- (a) Illustrate with examples the bases of market segmentation that can be used by a hotel in Hong Kong for its banquet service.
(10 marks)
 - (b) Explain the factors to be considered by a hotel when determining the target market for the banquet service.
(10 marks)
- (Total: 20 marks)

END OF PAPER