

**BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 2B**  
**Business Management Strand**  
**Sample Paper**

10:15 am – 12:45 pm (2 hours 30 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.

**This sample paper aims to illustrate the revised rubrics, instructions and paper layout, effective from the 2025 examination. The questions are adapted from past papers as follows:**

| Sample Paper  | HKDSE |                    |
|---------------|-------|--------------------|
|               | Year  | Question           |
| 1             | 2018  | Paper 1 Q2(a)(b)   |
| 2(a)          | 2017  | 2                  |
| 2(b)          | 2016  | 5(a)               |
| 3             | 2017  | 3                  |
| 4(a)          | 2016  | Paper 1 Q.4(c)(i)  |
| 4(b)          | 2016  | Paper 1 Q.4(c)(ii) |
| 5             | 2014  | 4                  |
| 6(a)          | 2016  | 2                  |
| 6(b)          | 2016  | 3                  |
| 7(a)          | 2015  | Paper 1 Q1(a)      |
| 7(b)(c)(d)    | 2017  | 5(a)(c)(d)         |
| 8(a)          | 2018  | Paper 1 Q4(c)      |
| 8(b)(c)(d)(e) | 2017  | 6(a)(c)(d)(e)      |
| 9             | 2017  | 7                  |
| 10            | 2016  | 9                  |

**SECTION A Answer ALL questions. (38 marks)**

1. (a) Apart from the number of employees, state two other characteristics of small and medium enterprises. (2 marks)
- (b) Explain two contributions of entrepreneurship to the development of business. (4 marks)
  
2. (a) Explain any two components of the '5Cs' of the credit standard that a bank considers when deciding whether to grant credit to a borrower. (4 marks)
- (b) Budgeting is an important financial function in a company. Explain two purposes of budgeting. (4 marks)
  
3. Outline three objectives of providing training to the drivers of a transportation company. (6 marks)
  
4. John runs a small supermarket. A business consultant advises John to adopt Management by Objectives in his supermarket.
- (a) How are objectives set under Management by Objectives in John's supermarket? (2 marks)
- (b) Explain two advantages of adopting Management by Objectives in a business. (4 marks)
  
5. Briefly describe three sampling techniques that can be used in marketing research. (6 marks)
  
6. (a) With reference to Herzberg's Dual-factor Theory, suggest two factors that can lead to job satisfaction for designers in a fashion company. Illustrate your answer with an example of each. (4 marks)
- (b) Explain one benefit to a company of adopting a direct distribution channel for its products. (2 marks)

**SECTION B Answer ALL questions. (32 marks)**

7. Marco is the owner in the form of a sole proprietorship of an eyewear retail chain, selling different brands of glasses. Currently, the chain has 11 retail stores all over Hong Kong, and has 30 administrative staff and 60 salespersons. The goal of the retail chain is as follows:

‘To increase the sales revenues substantially in the near future.’

To grasp the opportunity offered by market expansion, Marco wants to open more branches in the coming five years. He is considering various ways to finance his expansion plan.

In a meeting, Daisy, the Marketing Manager reported, ‘According to research, the market demand for eyewear is increasing. Customers are more willing to spend money on trendy and high class eyewear. We have already put more resources into advertising in the past three months. I believe that this marketing strategy has helped bring in new customers.’

David, the Finance Manager agreed, ‘With increased advertising, our sales have increased substantially.’

John, the Human Resources Manager responded, ‘I am pleased to know that the sales performance has improved. However, our recent staff appraisals show that many salespersons are not satisfied with their jobs. In fact, their salary level is higher than the market rate. We have also offered long-term employment contracts and comprehensive benefits to them. We may need to find other ways to improve their morale.’

Marco asked, ‘Besides enhancing salespersons’ morale, what else can we do to further increase sales?’

Daisy replied, ‘Many companies have started implementing a customer relationship management (CRM) system to help increase sales to existing customers. Shall we also introduce a CRM system to achieve this goal?’

John added, ‘If we decide to adopt a CRM system, then we have to recruit a manager to lead this new project. We may consider appointing the customer relationship manager through internal promotion.’

- (a) Refer to the goal of the retail chain stated above, explain two characteristics of a SMART goal that are missing from the above goal. (4 marks)
- (b) List two types of methods that Marco could use to finance his five-year expansion plan. Give one disadvantage of each of them. (4 marks)
- (c) Give two reasons why customer relationship management could help increase sales to existing customers. (4 marks)
- (d) Outline two limitations of appointing a customer relationship manager through internal promotion. (4 marks)

(Total: 16 marks)

8. King's Restaurant, an international catering chain, has been operating in Hong Kong for a few decades. The market position of King's Restaurant is to provide customers with innovative catering services at an affordable price. Its sales and profits have been growing steadily. The General Manager, Peter, is a leader who is willing to accept subordinates' opinions and involve them in the decision-making process.

Recently, the chain has been troubled by complaints about its deteriorating service quality.

In a meeting, May, the Marketing Manager said, 'We are facing keen competition in the catering industry, so it is important to maintain our service quality. However, we have received complaints from customers that the dining environment is unpleasant and some waiters are rude. Sometimes customers need to wait for a long time to be served.'

The Finance Manager, Simon, responded, 'Our revenue is growing at a decreasing rate, and improving our service quality will certainly boost sales.'

The Information Technology Manager, Danny, suggested, 'Some restaurants in other countries have started using robots to take orders and deliver dishes to customers. We should conduct a feasibility study on the introduction of this technology.'

May said, 'I agree with adopting the robotic system as it can provide innovative service which matches our market position. We could do market research to explore whether customers would accept robot service in general. I suggest sending questionnaires to all customers in our membership scheme to collect their views on a robotic system.'

Peter, queried the reliability of the information collected from questionnaires. He wanted to examine the project's feasibility from the financial perspective.

After the meeting, Simon estimated that the initial outlay for the robotic system would be \$4 000 000, with a project life of 3 years. The cost of capital would be 6%. Taking into consideration the annual expenses incurred and savings in labour costs, the net cash flow generated by the robotic system would be \$1 420 000 per year.

- (a) Explain two disadvantages of the leadership style adopted by Peter. (4 marks)
- (b) With reference to any two characteristics of service, explain how King's Restaurant can solve the problems with its service quality. (4 marks)
- (c) Based on Simon's financial estimates,
- (i) calculate the payback period of the robotic system (round to 2 decimal places). (2 marks)
- (ii) calculate the net present value of the robotic system (round to an integer). (2 marks)
- (d) Based on the net present value calculated in (c)(ii) above, explain whether the robotic system project should be accepted. (2 marks)
- (e) Other than the payback period method and the net present value method, suggest and explain one other capital investment appraisal method for evaluating the robotic system project. (2 marks)

(Total: 16 marks)

**SECTION C Answer ONE question. (18 marks)**

9. An airline company is considering enhancing the fringe benefits of its employees. In order to investigate the financial affordability of this measure, the company uses accounting ratios to evaluate its performance.

- (a) Describe the aspects of the airline company's performance that could be evaluated using accounting ratios. (8 marks)
- (b) Illustrate with examples the purposes of providing fringe benefits to the employees of an airline company. (10 marks)

(Total: 18 marks)

10. A smartphone manufacturer has developed a new mobile phone model and is considering setting a price for the new mobile phone. It is also planning to analyse the purchase decision-making process of its customers in order to launch the product successfully.

- (a) Describe the factors to be considered by the smartphone manufacturer when setting the price for its new mobile phone. (8 marks)
- (b) With reference to the purchase decision-making process, explain the steps customers would go through for the purchase of a new mobile phone. (10 marks)

(Total: 18 marks)

**END OF PAPER**