

HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY
HONG KONG DIPLOMA OF SECONDARY EDUCATION EXAMINATION

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES
PAPER 2B
BUSINESS MANAGEMENT MODULE

(Sample Paper)

Time allowed: 2 hours 30 minutes
This paper must be answered in English.

INSTRUCTIONS

- (1) There are three sections in this paper: Section A (30 marks), Section B (50 marks) and Section C (20 marks).
- (2) All questions in Sections A and B are compulsory. You are required to answer one of the two questions in Section C.

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

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