

SECTION A (24 marks)

Answer ALL questions in this section.

1. Outline two limitations of using accounting ratios to assess the performance of a company. (4 marks)

2. 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)

3. Explain three benefits to a company of adopting a direct distribution channel for its products. (6 marks)

4. Briefly describe two objectives for a company of appraising the performance of its salespeople. (4 marks)

5. (a) Budgeting is an important financial function in a company. Explain two purposes of budgeting. (4 marks)

(b) List two causes of a favourable sales variance. (2 marks)

SECTION B (36 marks)

Answer ALL questions in this section.

6. Ming Kee is a small Hong Kong supermarket chain established fifteen years ago. Owing to keen competition and rising costs, the chain has not been able to earn very good profits recently. Sometimes, there are also problems maintaining good liquidity. Paul, the Managing Director, called a meeting to discuss ways to deal with the current situation.

David, the Finance Manager reported, "Although all our sales are in cash, we are still having a liquidity problem. This may be due to slower inventory turnover for a lot of items and our inventory turnover ratio is below the industrial average. Take beverages as an example, the past sales records show that our chain sold 500 boxes each month. We currently order 600 boxes each time. The ordering cost is \$5625 per order and the average holding cost per box is \$10 per month. To improve the situation, I suggest using the Economic Order Quantity model to reduce the inventory costs. We should also put more effort into marketing to speed up the turnover of the slow-moving stock."

George, the Marketing Manager responded, "Sure, we will have more promotions to stimulate the sales of the slow-moving stock. I also believe that the 'online to offline' (O2O) trend will bring us more opportunities. We can develop an online shopping platform for customers to make purchases online and then they can pick up the goods they ordered in our stores. When the customers get their goods in our supermarkets, they may buy other goods as well. Also, a much larger variety of goods can be displayed on the online shopping platform and customers can shop without time constraints. This project looks feasible and should have a quick payback that won't worsen our liquidity."

David raised a concern, commenting, "The project idea sounds good but we should use the Net Present Value method for a more accurate evaluation of the investment."

Paul considered the project to be promising and asked the managers to start the project.

- (a) (i) Using the Economic Order Quantity model, calculate the optimal order quantity of beverages (in boxes) for Ming Kee. Show your workings. (2 marks)
- (ii) Based on the optimal order quantity calculated in (a) (i), state which inventory cost component contributes to the reduction in total inventory cost. Explain why. (2 marks)
- (b) From the perspective of cash management, suggest two ways to cope with Ming Kee's liquidity problem. (4 marks)
- (c) Give two reasons for using the Net Present Value method instead of the Payback method to evaluate the online shopping project. (4 marks)
- (d) Suggest three non-financial problems that may arise if Ming Kee launches the online shopping project. (6 marks)

(Total: 18 marks)

7. Centralwash is a company providing dishware cleaning and sanitising services to restaurants in Hong Kong. It has advanced dishwashing equipment to help restaurants maintain food safety, boost operational efficiency and minimise costs.

The company picks up dishware from restaurants, cleans and sanitises the dishware, and delivers it back to its customers. After operating for years, the company has gained a reputation in the industry. However, the sales growth of the industry recently started to slow down.

In a management meeting, Peter, the Managing Director, said, "I note that many competitors have been entering the market recently. Some weaker competitors have been forced to drop out of the market. Price competition is popular. We have to find some ways to enhance our competitiveness and maintain our profits. In order to understand more about the needs of our customers, we can collect some secondary data for analysis."

Billy, the Marketing Manager, responded, "I think secondary data may not be useful to us."

Daisy, the Human Resources Manager, commented, "We are now employing a team of salespeople to sell our service to target customers. The company could provide off-the-job training to them so as to improve their job skills and hence increase the success rate of personal selling."

Billy agreed and said, "I am pretty sure that the industry is at the maturity stage of the product life cycle. Besides enhancing the effectiveness of personal selling, we could launch more promotions to attract new customers."

Peter added, "We are also facing the problem of frequent damage to dishware, which may bring losses to us. Would it be possible to insure against this risk?"

Mary, the Finance Manager, responded, "I am afraid that this risk may not be insurable."

- (a) (i) What is secondary data? (1 mark)
- (ii) Give two limitations of using secondary data to help Centralwash understand the needs of its customers. (2 marks)
- (b) Give three pieces of evidence from the case to support Billy's view that the dishware cleaning and sanitising industry is at the maturity stage of the product life cycle. (3 marks)
- (c) Suggest three off-the-job training methods and state how each of them can help the sales team of Centralwash increase the success rate of personal selling. (6 marks)
- (d) (i) Give a reason why the risk of frequent damage to dishware is non-insurable. (2 marks)
- (ii) Suggest two risk management strategies Centralwash could adopt to deal with the risk in (d) (i) above. (4 marks)

(Total: 18 marks)

SECTION C (20 marks)

Answer ONE question in this section.

8. A fast food chain is going to set up a new branch and is considering hiring shop supervisor for the branch through internal recruitment. At the same time, in order to fulfil corporate social responsibility, the chain is planning to hire people with mild mental and physical disabilities for the branch.

(a) Describe the advantages of hiring shop supervisor through internal recruitment. (8 marks)

(b) With reference to the functions of human resources management, suggest support measures that the chain could provide to employees with mild mental and physical disabilities. (12 marks)

(Total: 20 marks)

9. 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. (12 marks)

(Total: 20 marks)

END OF PAPER