

**SECTION A (24 marks, weighting 30%)**

Answer ALL questions in this section.

1. (a) State the marketing objective of the introduction stage of a product. (2 marks)
- (b) Other than public relations, explain two elements of the promotion mix which could be adopted in the introduction stage of a product. (4 marks)
2. (a) Give two examples of pure risk for operating a watch shop. (2 marks)
- (b) Apart from risk avoidance, suggest two risk management strategies that could be adopted by a watch shop to deal with the speculative risk brought about by expanding to an overseas market. (4 marks)
3. (a) Explain the importance of manpower planning for an accounting firm. (2 marks)
- (b) Explain two factors that would affect the manpower supply of an accounting firm. (4 marks)
4. The financial data of a limited company as at 31 December 2021 is shown below:
- |                         |           |
|-------------------------|-----------|
|                         | \$        |
| Non-current assets      | 3 300 000 |
| Current liabilities     | 150 000   |
| Non-current liabilities | 1 900 000 |
| Shareholders' funds     | 1 730 000 |
- (a) (i) Calculate the gearing ratio (to two decimal places) as at 31 December 2021. (2 marks)
- (ii) Suggest two financing methods which could reduce the gearing level of the company. (2 marks)
- (b) Outline one limitation of using financial analysis. (2 marks)

## SECTION B (18 marks, weighting 45%)

Answer ONE question in this section.

5. Sun Kee is a rice noodle restaurant in Mongkok which offers Yunnan-style sour and spicy rice noodles using a traditional recipe. The rice noodle restaurant is managed by its owner, Alvin. It hired three full-time waiters who received monthly fixed salaries and were entitled to statutory benefits.

Alvin noticed that the rice noodles of Sun Kee were not well accepted by its customers. The business was also severely affected by the spread of COVID-19 as many customers were reluctant to dine in restaurants. In addition, both the number of dine-in customers and the number of customers per table were restricted. To deal with the adverse environment, Alvin agreed with two full-time waiters to change their employment to a part-time basis on an hourly rate. He was also planning to adjust the marketing mix strategies in order to survive.

To have better planning, Alvin reviewed the last year's financial performance and budgets. He found that Sun Kee had experienced increasing losses for months. After investigation, he found that the material variances in the past few quarters were unfavourable.

In addition to the continuous losses, Sun Kee recently received many complaints from customers. They were dissatisfied with having to wait long to be served and mistakes in the orders. Alvin asked the waiters to see whether there were operational problems. The waiters reflected that there was not enough manpower to handle placing the orders, cleaning the tables and serving the meals during peak hours. Alvin then decided to hire one more part-time employee, who will be paid on an hourly rate, to share the workload of the existing waiters during the peak hours.

- (a) From the perspective of the marketing concept, explain how marketing research could help improve the customers' acceptance of Sun Kee's rice noodles. (2 marks)
- (b) Give two reasons for Alvin to change the employment of the existing full-time waiters to a part-time basis. (4 marks)
- (c) With reference to two elements of the marketing mix other than price and promotion, suggest one way for each element to boost Sun Kee's sales. (4 marks)
- (d) Explain two possible causes for the unfavourable material variances of Sun Kee. (4 marks)
- (e) With reference to the staffing function, explain what Alvin should do to hire the additional part-time employee. (4 marks)

(Total: 18 marks)

6. Helen Fashion is an international brand which sells high quality fashion for men, women and children. It sources clothing from around the globe and sells them in its stores in Hong Kong. The global economy is in the recovery stage and it is expected that the inflation rate and interest rate will keep rising in the coming years. Helen Fashion is finding ways to increase the inventory turnover as it is costly to keep excessive inventory.

Even though Helen Fashion pays its staff competitive salaries, it is still facing high absenteeism and staff turnover, resulting in understaffing. The Human Resources Manager proposed to formulate measures with reference to Herzberg's Dual-factor Theory to boost the staff morale so as to lower the staff turnover rate and to retain experienced salespeople.

In a recent survey, customers reflected that they were not satisfied with the shopping experience as they had to wait long when the salespeople were busy serving different customers. They also complained that the salespeople were impolite and they had to queue for a long time for fittings and payment. To improve the service quality and increase the distribution channels, Helen Fashion is planning to expand the target market to online shoppers by setting up an online shopping platform.

The initial capital outlay of setting up the online shopping platform was estimated at \$5 million and the net cash inflows for the first three years would be \$2 million, \$3 million and \$6 million respectively. The payback method will be used to evaluate the financial feasibility of the investment project.

The Finance Manager remarked that though the payback method was easy to understand, there were limitations. He suggested using other capital investment appraisal methods as well in order to make better decisions.

- (a) From the perspective of inventory management, state two costs that Helen Fashion will incur for keeping excessive inventory. (2 marks)
- (b) With reference to Herzberg's Dual-factor Theory, explain with one example each the meaning of hygiene factor and motivator, to help Helen Fashion formulate measures to boost the staff morale. (4 marks)
- (c) With reference to two characteristics of service, apart from 'intangibility', suggest one way each to enhance customer loyalty to Helen Fashion. (4 marks)
- (d) Suggest two factors Helen Fashion should consider when determining whether to expand the target market to online shoppers. (4 marks)
- (e) Explain two limitations for Helen Fashion of using the payback method only in appraising the investment project. (4 marks)

(Total: 18 marks)

**SECTION C (20 marks, weighting 25%)**

Answer **ONE** question in this section.

7. A bus company provides regular training for its employees. Recently, it has been considering buying a new model of double-decker buses to replace the existing ones.

(a) Illustrate with examples the objectives of the bus company in providing training for its employees. (10 marks)

(b) Describe the steps in the decision-making process the bus company should carry out for purchasing the new model of double-decker buses. (10 marks)

(Total: 20 marks)

8. A hotel offers a variety of staycation packages to provide accommodation, dining and entertainment facilities to local customers. It is also planning for renovation and is looking for ways to finance the renovation project.

(a) With reference to the market segmentation bases, explain how the hotel could segment the staycation market. (10 marks)

(b) Explain the factors to be considered by the hotel in selecting short-term or long-term financing for the renovation project. (10 marks)

(Total: 20 marks)