*General Principles of Marking*

1.  The answers given in this marking scheme are 'suggestions' only.  Other relevant answers will also be accepted.

2.  Where the number of points required is specified in a question, markers will mark the first listed points up to the number required, and cross out other points as 'excess'.

3.  Essay questions require a discussion of the different aspects involved and a maximum mark is set for each point given in the marking scheme.

4.  The general guidelines for points which are awarded 0 to 4 marks each are as follows:

| | | |
|---|---|---|
| 0 mark | : | irrelevant or ambiguous answers |
| 1 mark | : | relevant phrases containing key words that answer the question |
| 2 marks | : | a relevant point or answer with a brief explanation of the concept/key words stated |
| 3 to 4 marks | : | a relevant point or answer elaborated with illustration of how it is related to the given scenario |


**SECTION A**

| **QUESTION 1** | **Marks** |
|---|---|
| Indirect compensation: | 2 |
|  –  benefits other than normal wages and salaries | |
| Purposes: | 4 |
|  –  enhance employees' senses of belongings | |
|  –  retain employees | |
|  –  attract high calibre employees | |
| (2 marks for each relevant purpose, max. 4 marks) | |

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**6 marks**
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**QUESTION 2**

| | |
|---|---|
| Essential elements: | 6 |
|  –  offer: the buyer offers to buy a product under certain terms | |
|  –  acceptance: the seller accepts the offer | |
|  –  consideration: the buyer receives the product and the seller receives the agreed terms | |
| (2 marks for each relevant element, max. 6 marks) | |

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**6 marks**
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**QUESTION 3**

Ways:

6

- improve communication: create a platform for discussion
- enhance efficiency: minimise the cost of negotiation between the management and individual employees
- facilitate discussion and mutual understanding: balance the power between employer and employees
- more systematic: provide a formal channel in resolving disputes

(2 marks for each relevant way, max. 6 marks)

<u>6 marks</u>

**QUESTION 4**

Budgeting is useful in:

6

- planning: forecast figures provide directions for formulating action plan
- organising: budget information assists resources allocation, cooperation and integration across various functional departments
- leading: quantified indicators become specific targets for employees
- controlling: budget figures serve as performance standards

(2 marks for each relevant uses, max. 6 marks)

<u>6 marks</u>

**QUESTION 5**

Benefits:

6

- cost-saving: reduce rent and labour cost
- wide coverage: easier access by customers from all over the world
- convenience to customers: facilitate sales
- extended service hours: enable round-the-clock service

(2 marks for each relevant benefit, max. 6 marks)

<u>6 marks</u>

**SECTION B**

**QUESTION 6**                                                                                                   **Marks**

(a) (i) At the EOQ, the total inventory cost (i.e. ordering cost and carrying cost) is minimal      3
among all possible quantities.

   (ii)
$$EOQ = \sqrt{\frac{2(400)(800)}{16}} \text{ dozens}$$                                              1

$$= 200 \text{ dozens}$$                                                                            1

(b) Ways:                                                                                            4
   – buy and deposit Euro
   – buy forward contracts on Euro
   – buy call options of Euro
   – buy futures on Euro
   (2 marks for each relevant way, max. 4 marks)

(c) Marketing concept:
   – A business should analyse the needs of its customers and take appropriate measures to          2
     satisfy those needs in order to make profit.
   – Platine should investigate the taste and preferences of its customers and offer the menu        1
     items that meet their needs.

(d) Steps:                                                                                           6
   – stimulus: e.g. read an advertisement in a food magazine
   – need/problem awareness: e.g. feel hungry
   – information search: e.g. obtain information from personal sources (e.g. family or friends)
     or commercial sources (e.g. advertisements on magazine or website)
   – development of alternatives: e.g. choose several restaurants
   – evaluation of alternatives: e.g. compare Platine with other restaurants
   (2 marks for each relevant step, max. 6 marks)

(e) Ways:                                                                                            6
   – price: e.g. competition-based pricing / price differentiation
   – promotion: e.g. advertisement / waiter's recommendations
   – place: e.g. take away service / longer service hours
   (2 marks for each relevant way, max. 6 marks)

                                                                                                   _____
                                                                                                   24 marks
                                                                                                   _____

(a)    Adverse consequences:           4
- higher absenteeism / labour turnover
- lower job satisfaction
- poor performance due to lack of motivation

(2 marks for each relevant consequence, max. 4 marks)

(b)    Ways:           6
- give sense of recognition and achievement to employees
- empowerment and allow job autonomy
- offer more development opportunities
- adjust job content to make it more interesting and challenging

(2 marks for each relevant way, max. 6 marks)

(c)    Reasons:           6
- difficult to measure the probability of financial loss
- the loss is not accidental
- law of large number is not easily applied
- the risk is speculative

(2 marks for each relevant reason, max. 6 marks)

(d)    Ways:           4
- collection policy: expedite debt collection procedures
- credit term: adjust the discount terms to encourage early repayment
- credit standard: set stringent credit standards and credit limits to wipe out those travel agencies with poor repayment records

(2 marks for each relevant way, max. 4 marks)

(e)           6

| Sources of fund: | Reasons |
|---|---|
| Issue of shares | - no interest burden or collateral requirement<br>- avoid increasing the gearing / leverage ratios<br>- no repayment required |
| Issue of debenture | - no dilution of control and shareholdings<br>- enjoy tax saving on interest expense<br>- benefit from leverage effect |
| Long-term bank borrowings | - no issuing cost<br>- enjoy tax saving on interest expense<br>- benefit from leverage effect |
| Liquidation on fixed assets | - no issuing cost<br>- no interest or dividend burden<br>- fully utilise the financial resources |

(1 mark for each source and 1 mark for each relevant justification, max 6 marks)

          26 marks

**SECTION C**

**QUESTION 8**  <span style="float:right">**Marks**</span>

(a) Steps:  <span style="float:right">10</span>
  - identify training needs: e.g. unawareness of front-line staff on regulations of investment products
  - formulate training objectives and plan: e.g. update front-line staff on the latest regulations of investment products
  - design training programme(s): e.g. in forms of workshops, on-line training kit
  - implement the training programme: e.g. require front-line staff to attend the training within a specific period of time
  - evaluate the effectiveness of the training programme: e.g. written test for front-line staff on the regulations of investment products

  (2 marks for each relevant step, max. 10 marks)

(b) NPV formula and relevant examples:  <span style="float:right">10</span>
  - initial outlay: cost of purchase of the computer training system
  - cash flows: cash inflows may include cost saved from hiring of trainer whereas cash outflows may include maintenance cost of the system
  - discount rate: cost of capital, interest rate on loans or required rate of return
  - project life: year of usage of the computer training system
  - net present value: discounted monetary value of the computer training system, i.e. positive value means worth buying, negative value means not worth buying

  (1 mark for each relevant variable and 2 marks for each relevant example, max. 10 marks)

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20 marks
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**QUESTION 9**

(a) Bases for market segmentation:  <span style="float:right">8</span>
  - geographic segmentation: countries, cities or neighbourhood, e.g. target those guests from the Mainland
  - demographic segmentation: age, sex, income, occupation, family life cycle and educational level, e.g. a 5-star hotel targets those guests with higher income
  - psychographic segmentation: social class, life style and personality characteristics, e.g. target those guests from the upper class
  - benefit segmentation: product benefits that customers seek, e.g. target those guests who seek for a convenient location

  (2 marks for each relevant base, max. 8 marks)

(b) CRM is a process that involves the use of customers' information to build and maintain customer relationships in an organised way.  <span style="float:right">2</span>

  Reasons:  <span style="float:right">10</span>
  - more knowledge about customers thus better services can be provided
  - lower cost to serve existing customers
  - easier to retain customers than to acquire new customers
  - increase cross-selling opportunity

  (3 marks for each relevant reason, max. 10 marks)

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20 marks
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**END OF PAPER 2B**

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