

PAPER 2B
Business Management Module

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 3 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 marks : a relevant point or answer elaborated with illustration of how it is related to the given scenario

SECTION A

QUESTION 1

Marks

Uses:

6

- placement decision
 - identification of training needs
 - manpower planning
 - compensation adjustment
 - motivation
- (2 marks for each relevant use, max. 6 marks)

Total: 6 marks

QUESTION 2

Factors:

6

- character: e.g. whether the customer has a sense of responsibility to repay the debt
 - capacity: e.g. whether the customer has sufficient cash flows to meet the obligation
 - capital: e.g. whether the customer has sufficient capital to back up his debt
 - collateral: e.g. whether the customer has sufficient assets to secure the debt
 - conditions: e.g. industry outlook, general economic conditions
- (2 marks for each relevant factor, max. 6 marks)

Total: 6 marks

QUESTION 3

Marks

Reasons:

4

- losing existing customers means losing the lifetime value brought by these customers
- attracting a new customer usually costs more than retaining an existing one
- can do cross-selling more easily

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

Total: 4 marks

QUESTION 4

Progressive disciplinary actions:

6

- verbal warning
- written warning
- suspension
- discharge

(2 marks for each relevant action in sequence, max. 6 marks)

Total: 6 marks

QUESTION 5

Advantages:

4

- easier to cater for each region's needs
- quicker to respond to the local market
- more accurate assessment of each region's performance

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

Total: 4 marks

QUESTION 6

Reasons:

4

- spell out rights and responsibilities of buyer and seller: avoid misunderstandings
- legal status: remedies if breach of a contract
- govern actions: avoid disputes

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

Total: 4 marks

SECTION B

QUESTION 7

Marks

- (a) Risk management strategies: 4
- risk avoidance: e.g. avoid using easily infected food ingredients
 - risk reduction: e.g. source raw materials from reliable suppliers
 - risk transfer: e.g. take insurance to cover the losses resulting from food poisoning
 - risk assumption: e.g. assume the losses resulting from food poisoning
- (2 marks for each relevant strategy, max. 4 marks)
- (b) Methods: 6
- survey research, e.g. questionnaire
 - qualitative research, e.g. interview
 - observational research, e.g. on-site observation
 - experiments, e.g. taste tests
- (2 marks for each relevant method with correct example, max. 6 marks)
- (c) Criteria: 6
- purchasing power: e.g. middle-class customers have higher income
 - growth of the segment: e.g. middle-class customers become more health conscious
 - competition: e.g. no dominant competitor in the field serving the middle-class customers
 - distinctiveness: e.g. the market segment of middle-class is differentiable from other segments
- (2 marks for each relevant criterion, max. 6 marks)
- (d) Sources of capital: 3
- issue shares
 - issue long-term bond
 - borrow long-term loan
 - set up joint venture
- (1 mark for each relevant source, max. 3 marks)
- (e) Ways of promotion: 6
- advertising: e.g. advertising on TV, food magazine or websites
 - sales promotion: e.g. discounts, free gifts, lucky draw
 - public relations: e.g. grand opening, press conference, press release
 - personal selling: e.g. waiters recommend dishes to customers
- (2 marks for each relevant way, max. 6 marks)

Total: 25 marks

QUESTION 8	Marks
(a) Theory X assumptions: – people inherently dislike work, e.g. employees of Wing Hung lack initiative – people have little ambition and try to avoid responsibility, e.g. employees of Wing Hung follow instructions – people prefer to be led, e.g. close supervision by Richard – people prefer monetary rewards, e.g. above market level salary at Wing Hung – people want stability and resist to change, e.g. follow rigid rules (2 marks for each relevant assumption, max. 6 marks)	6
(b) Other types of monetary compensation methods: – commission – bonus – merit pay – profit-sharing – stock option (2 marks for each relevant type, max. 6 marks)	6
(c) Reasons: – intangibility: training helps to provide tangible signals of good service – heterogeneity: training helps to reduce variability of service – inseparability: training helps to equip employees with good interpersonal skills – perishability: training helps to enhance employees' adaptability in dealing with fluctuating demand (2 marks for each relevant reason, max. 4 marks)	4
(d) (i) Payback period = \$12m/ \$4m = 3 years	1
(ii) Reasons: – ignore time value of money – fail to indicate the absolute worth of project – ignore the cash flows after the payback period (2 marks for each relevant reason, max. 4 marks)	4
(e) (i) $NPV = \left(\frac{4m}{1.08} + \frac{4m}{1.08^2} + \frac{4m}{1.08^3} + \frac{4m}{1.08^4} \right) - 12m$ NPV = \$1 248 507	1 1
(ii) Since the NPV is positive, the project should be adopted.	2
Total: <u>25 marks</u>	

SECTION C

QUESTION 9

Marks

- (a) – liquidity ratios: measures the chain's ability to repay short-term debts, e.g. current ratio, quick ratio 12
- debt management ratios/ solvency ratios: measures the chain's use of financial leverage, e.g. debt ratio, debt to equity ratio
- activity ratios/ management efficiency ratios: measure how efficiently the chain utilises its assets, e.g. inventory turnover, average collection period
- profitability ratios: measure the earning power of the chain, e.g. gross profit ratio, net profit margin

(3 marks for each relevant point, max. 12 marks)

- (b) Possible causes: 8
- sales: e.g. keen competition, inappropriate merchandising
- inventories: e.g. wastage, change in prices, change in foreign exchange rates
- labour: e.g. change in wage rate and labour efficiency
- rental: e.g. change in rent level

(3 marks for each relevant cause, max. 8 marks)

Total: 20 marks

QUESTION 10

- (a) Characteristics: 12
- high growth in sales
- begin to earn substantial profit
- drop in average cost
- competition becomes keener
- customers are early adopters

(3 marks for each relevant characteristic, max. 12 marks)

- (b) Advantages: 8
- promotion-from-within policy is well-accepted by employees
- the company and the employees are familiar with each other
- lower recruitment cost and orientation cost
- higher motivation to existing employees

(3 marks for each relevant advantage, max. 8 marks)

Total: 20 marks

END OF PAPER 2B