

## **BUSINESS STUDIES**

### **ADVANCED LEVEL**

#### **OBJECTIVES**

1. To provide a basic knowledge of the business environment and business activities in Hong Kong.
2. To develop an understanding of the integrated and changing nature of modern business problems.
3. To develop skills of analysis, synthesis and evaluation in the context of business decisions.

#### **THE EXAMINATION**

The examination will consist of two papers of 3 hours each.

Paper 1 (50%) – This paper will consist of

- (a) short questions to test basic concepts and knowledge; and
- (b) questions on case studies to test comprehension and application of knowledge.

Paper 2 (50%) – This paper will consist of essay questions. It will give candidates an opportunity to deal in depth with the topics of the syllabus.

The content of the syllabus will be tested in both papers.

#### **THE SYLLABUS**

##### *SYLLABUS*

##### *EXPLANATORY NOTES*

#### **Section 1 Business in the Hong Kong economy**

Definitions of business

The role of business in Hong Kong economy (i) Production of goods and services

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	(ii) Provision of employment opportunities (iii) Improvement of living standards, etc.
The industrial structure in Hong Kong and its particular characteristics	(i) Lack of primary industries, concentration on secondary and tertiary industries (ii) Scope and development of the service sector
The factors affecting Hong Kong's international trade	(i) The risks of operating a business in Hong Kong (ii) Its dependence on international trade (iii) The susceptibility of Hong Kong business to world economic and political conditions
Legal considerations	(i) The effects of international legislation on Hong Kong business (ii) Effects of local legislation on Hong Kong business: employee protection and consumer protection
Business and government relations	Government authorities which exist to assist and control business operations, trade and industry
Business ethics and social responsibilities	(i) The relationship of business organization to the community (ii) The business response to environmental pollution problems
<b>Section 2 Forms of business ownership and their objectives</b>	
The formation and characteristics of different forms of business ownership: sole trader, partnership and limited company	(i) Objectives of each form (ii) Procedures for formation (iii) Advantages and disadvantages

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Other forms of business ownership	Cooperatives, joint-venture, franchise and public enterprise
The problems of setting up a business organization	(i) Internal e.g. factors of production (ii) External e.g. political and government restrictions, market environment
The challenge of small business	(i) Reasons for survival and failure (ii) Its economic roles and contributions
Multi-national firms	(i) Definition (ii) Characteristics

**Section 3 Management and operating functions within firms to achieve objectives*****Management***

Functions of management	(i) Definition of management (ii) Basic understanding of planning, organizing, staffing, co-ordinating, leading, controlling and decision making
Means to effective management	e.g. Division of work, subordinating individual goals, encouraging individual effort, balancing responsibility with authority, and developing team spirit
Types of formal organizational structure and control	(i) Line, staff, line and staff (ii) Departmentalization (iii) Centralization and decentralization

*SYLLABUS**EXPLANATORY NOTES*

The need for effective communication	<ul style="list-style-type: none"> <li>(iv) Span of control</li> <li>(i) Means of communication</li> <li>(ii) Importance of vertical/horizontal communication</li> <li>(iii) Ways to overcome communication barriers</li> </ul>
<b><i>Human Resource Management</i></b>	
The importance of manpower	Its significance in achieving company objectives
Functions of human resource management	<ul style="list-style-type: none"> <li>(i) Job analysis which includes job description and job specification</li> <li>(ii) Manpower planning</li> <li>(iii) Recruitment, selection, placement and orientation</li> <li>(iv) Training and development programmes</li> <li>(v) Evaluation: performance appraisal, transfer, promotion and discharge</li> <li>(vi) Compensation: remuneration and fringe benefits</li> <li>(vii) Maintenance: employee health and safety, morale, absenteeism and turnover</li> </ul>
Factors influencing motivation, morale and productivity	<ul style="list-style-type: none"> <li>(i) Basic understanding of Maslow's Hierarchy of Needs Theory and Herzberg's Dual-factor Theory</li> <li>(ii) Basic understanding of McGregor's Theory X and Theory Y</li> <li>(iii) Financial and non-financial rewards</li> </ul>
Industrial relations	(i) Framework of industrial relations system: factors affecting the

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## EXPLANATORY NOTES

	<ul style="list-style-type: none"> <li>system</li> <li>(ii) Agencies involved: employers' associations and trade unions</li> <li>(iii) Collective bargaining</li> <li>(iv) The use of conciliation and arbitration</li> </ul>
<b><i>Financial Management</i></b>	
Sources of capital	<ul style="list-style-type: none"> <li>(i) Short term capital</li> <li>(ii) Long term capital</li> <li>(iii) Factors affecting choice of the above</li> </ul>
Financial markets	<ul style="list-style-type: none"> <li>(i) Primary and secondary markets</li> <li>(ii) Capital and money markets</li> </ul>
The nature of financial statements	Basic understanding of financial statements: balance sheets and income statements (study of basic bookkeeping is not required)
The nature and significance of key financial ratios	Types of financial ratios: liquidity, profitability, activity, leverage and equity ratios
Current assets management	<ul style="list-style-type: none"> <li>(i) Cash flow and its importance</li> <li>(ii) Stock control</li> <li>(iii) Debtors management</li> </ul>
Capital budgeting	<ul style="list-style-type: none"> <li>(i) The concept of discounted cash flow</li> <li>(ii) Methods, their advantages and disadvantages: NPV, IRR, average rate of returns, payback method</li> </ul>

*SYLLABUS**EXPLANATORY NOTES*

The use of budgets for management guidance	Planning and control
Revenue and cost	(i) Capital and revenue (ii) Fixed and variable costs (iii) Linear breakeven analysis and its limitations
<b><i>Operations Management</i></b>	
Production processes	(i) Production concepts (ii) Types: extractive, analytic, fabricating, synthetic, assembling
Product innovation/development	Steps in product innovation/development
Operations systems (manufacturing and service industries)	(i) Manufacturing processes: standard and custom production, continuous and intermittent production (ii) Production planning and control (iii) Materials management: purchasing, storage, stock control (simple calculation of EOQ is required) (iv) Concept of quality in manufacturing and service industries (v) Basic concepts of Total Quality Management and Re-engineering (details of implementation are not required)
Mass production	(i) Characteristics: mechanization, specialization of labor, standardization, and automation (ii) Advantages and disadvantages (iii) Favorable factors that make mass production possible

*SYLLABUS**EXPLANATORY NOTES****Marketing Management***

The marketing concept

Definition

The role of marketing

Planning, organizing, implementing and controlling marketing activities for goods and services

Marketing research

- (i) Process of marketing research
- (ii) The role of marketing research

Buyer behaviour

- (i) Factors affecting consumer buying behaviour
- (ii) Factors affecting industrial buying behaviour

Marketing strategy for goods and services

- (i) Selecting and analyzing target markets
- (ii) Developing a marketing mix: product/service, channels of distribution, price and non-price competition, promotion
- (iii) Applying various marketing mix strategies for different stages of the product life cycle
- (iv) Basic concepts of relationship marketing

Consumerism

Rights, complaints and responses

International marketing

- (i) Environmental forces in international markets
- (ii) Adaptations versus standardization of international marketing mixes
- (iii) Methods of developing international marketing involvement

*SYLLABUS**EXPLANATORY NOTES****Risk Management***

General features of business risks

- (i) Types of business risks
- (ii) Risk management: risk identification, evaluation, measurement and treatment, programme of implementation
- (iii) Instruments for risk reduction: futures and options

Insurance

- (i) Principles
- (ii) Functions
- (iii) Types of insurance protection: life, property, liability, marine and credit insurance

***Business Information***

The importance and use of information in business

- (i) The significance and usefulness of business information
- (ii) Basic understanding of the importance of information systems in business

Statistical data in business

- (i) Application of the arithmetic mean, mode and median
- (ii) Interpretation of tables, graphs, histograms, bar charts and pie charts
- (iii) Basic understanding of trend interpretation

The role of information technology in business

- (i) Its applications
- (ii) Advantages and disadvantages