XXX Secondary School

20xx-20xx

Business, Accounting and Financial Studies

Key Business Functions (Lesson 1) – Teaching Notes (Answer)

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class: \_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1. Human resources management**

* Definition: the process of
	+ acquiring, training, appraising and compensating employees,
	+ dealing with matters concerning employee relations and employees’ well-being.

**A. Key functions of human resources management**

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| --- | --- |
| **1. Human resources planning** | * Forecast the number and types of employees the company needs in order to achieve its objectives
* Decide what positions the company needs to fill and how they are to be filled
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| **2. Recruitment and selection** | * Recruit, select and employ capable applicants for the company’s vacancies
 |
| **3. Training and development** | * Design training and development programmes for employees to improve their skills and competencies
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| **4. Performance appraisal** | * Evaluate employees’ performance by designing a performance appraisal system, which includes setting performance standards.
* Employees’ performance is evaluated by comparison with the standards and feedback is given to employees. This can help improve employees’ work performance.
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| **5. Compensation and benefit management** | * Design a fair and competitive compensation system which can motivate, attract and retain competent employees
 |
| **6. Enhancing employee relations** | * Establish good relationships with employees by holding different kinds of activities for staff
* With good employee relations, employees will be more committed to their work and to the company.
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**B. Importance of human resources management**

* Allow the company to attract, recruit and retain competent employees who can help the company achieve its goals
* Help the company develop a quality workforce
* Match the supply of and demand for human resources
* Ensure that the company has observed all labour regulations

**2. Financial management**

* Definition:
* The management of the financial resources and financial obligations of a company in order to achieve the company’s goals.
* It aims to maximise a company’s net worth.

**A. Key functions of financial management**

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| --- | --- |
| **1. Financial analysis** | * Assess the company’s business performance in terms of profitability, liquidity, solvency and management efficiency using accounting ratios.

🡺 Identify the company’s strengths and problems. |
| **2. Financial planning and budgeting** | * Forecast the company’s financial needs and develop budgets to meet those needs.
* A budget is a forecast of future income and expenses. 🡺 Help a company plan its financial resources.
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| **3. Making investment decisions** | * Identify good investment projects in order to maximise the company’s net worth.
* The finance department may use different appraisal methods (e.g. net present value) to assess whether an investment is worthwhile.
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| **4. Making financing decisions** | * Determine the sources of financing and raise funds for the company to make investments, and to support its operations and expansion.
* Common sources of financing include issuing stocks and bonds, obtaining bank loans and using retained profits.
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| **5. Making working capital decisions** | * Management of the short-term assets and the short-term liabilities to ensure a business has sufficient capital to support its daily operations
* This involves managing the company’s current assets and current liabilities, including cash, tradereceivables, trade payables and inventory.
* Proper working capital management can help the company maintain its liquidity.

Examples of tasks in making working capital decisions include:* Encouraging customers to pay in cash
* Formulating policies to collect overdue accounts receivables from customers
* Repaying accounts payables early to take a cash discount
* Ordering just enough inventory to minimise inventory costs (inventory management)
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**B. Importance of financial management**

* Help the company plan its financial resources, allocate and utilise its funds effectively
🡺 Achieve the company’s goals
* Help to acquire necessary funds and maintain working capital effectively
🡺 Ensure the smooth operation and survival of the company
* Allow the company to achieve stable growth

**3. Operations management**

* Definition: The management of operating systems and processes that transform inputs into outputs.

**A. Key functions of operations management**

**3.1 Designing efficient and effective production processes**

* Production can refer to the production of goods or services.
* The following tasks help ensure that production processes are effective.

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| --- | --- |
| **Plan for capacity** | * Determine the company’s production capacity in order to meet customer demand
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| **Choose a facility location** | * Find a location that can minimise production costs and increase operational efficiency
 |
| **Design the workflow** | * Design the workflow and determine the sequence of production processes
 |
| **Design jobs** | * Assign and allocate tasks to different job positions, as well as design the workplace and work environment
 |
| **Design a facility layout** | * Design a facility layout to fit the company’s production processes
* Facility layout affects the efficiency of material handling, the utilisation of equipment and the productivity of employees.
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**3.2 Inventory management**

* Keep track of the company’s inventory
* Make sure that all inventory is in good condition and available whenever the company needs it
* For example: The operations department of a supermarket needs to
* keep track of the quantity of each product at its branches
* arrange delivery of goods to the branches in time to avoid running out of stock

**3.3 Quality assurance**

* Ensure that the company’s goods and services are of high quality
* It may do so by
	+ imposing quality control regulations for employees to follow.
	+ inspecting products, tools and equipment regularly; and
	+ acquiring quality raw materials from suppliers.

**3.4 Logistics and distribution management**

* Ensure that the goods are packaged securely for transportation and delivered to customers within a reasonable time
* For example: The operations department of a chilled meat supplier needs to arrange trucks to transport chilled meat to supermarkets every day.

**B. Importance of operations management**

* Oversee production processes and maintain sufficient inventory
🡺 Ensure the smooth operation of the company
* Ensure that production is carried out effectively and that resources are used efficiently
🡺 Increase the overall productivity of the company
* Proper quality assurance
🡺 Ensure that the quality of the company’s goods and services meets quality standards

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