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**

|  |  |
| --- | --- |
| **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 |
| **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 |
| **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. |
| **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. |

**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**

|  |  |
| --- | --- |
| **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. |
| **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. |
| **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. |
| **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) |

**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.

|  |  |
| --- | --- |
| **Plan for capacity** | * Determine the company’s production capacity in order to meet customer demand |
| **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. |

**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

References:

Chan, R. & Pak, C.K. (2022). *NSS BAFS Business Management 2* (Elective Part) (3rd Ed.). Pearson.

Ho, K.W.P., Tsui, S.C.L. (2014). *BAFS in the New World 1: Business Environment & Introduction to Management* (2nd Ed.). Hong Kong: Pilot Publishing Company Ltd.

So, R., Kwok, R. & Yip, K. (2019). *New Horizon Business, Accounting and Financial Studies: Business Environment and Introduction to Management*. Hong Kong Educational Publishing Company.