

General Certificate of Education
January 2007
Advanced Subsidiary Examination

APPLIED BUSINESS
Unit 3 Financial Planning and Monitoring

BS03/PM



Background Material and Pre-release Research Tasks

To be distributed to candidates no sooner than Monday 30 October 2006

NOTICE TO CANDIDATES

You will be given **one** copy of this **Background Material and Pre-release Research Tasks** for use during your preparation for the examination, which you may annotate as you wish, but which you will **not** be allowed to take into the examination.

The **Background Material and Pre-release Research Tasks** will be repeated within the question paper for use in the examination.

You are advised to carry out your own research using this **Background Material and Pre-release Research Tasks**. It is the business concepts and ideas raised by the **Background Material and Pre-release Research Tasks** which should be researched.

Your teacher is encouraged to give assistance and advice as required.

There's Bags of Nuts in *Bagshaw's* Bags

Bagshaw Ltd is not a name that many people associate with nuts, but the company sells its products throughout the UK. The family-owned company purchases the nuts from growers across the world and roasts, salts, flavours and packages them. It sells a wide range of nuts including salted peanuts, brazils, cashews and almonds plus its own special mixes.

Bagshaw Ltd sells to some small UK supermarkets such as Budgens, as well as to garages, delicatessens and hotels, including some in France, Austria and Sweden.

Bagshaw Ltd has grown steadily for several years. It owns one factory on a large site in London which is operating at full capacity. It uses the latest production machinery which it purchased recently. The company buys an average of 70 tonnes of nuts each month and this is the largest single cost for the business. The cost of nuts can vary considerably due to world trading conditions. A poor harvest can have a huge effect on the price that *Bagshaw Ltd* pays for nuts.

Chris Bagshaw, Managing Director, says: "A recent sudden rise in the cost of almonds hit *Bagshaw Ltd's* profits. The price at the moment for almonds is already £5 000 a tonne. However, the demand for nuts as a snack food is increasing, pushing prices up further. Market research suggests that demand throughout Europe will continue to rise."

Market overview of western Europe for snack food sales. Actual and forecast sales in £m

	2003	2008
Savoury snacks	5 489.2	6 040.6
Crisps	2 259.9	2 361.7
Nuts	1 022.7	1 172.1
Other snacks	334.2	401.9

Source: Euromonitor

Chris Bagshaw wants to increase the company's sales. "To do this, we must make our brand better known – we need to sell in the bigger supermarkets, especially Tesco. This means that the *Bagshaw* brand must be promoted strongly. Possibly, we need more salespeople. We must also sell much more overseas, initially in western Europe."

"Our plans mean that we have to think about increasing the scale of our business, and possibly its location. London is very expensive. Relocation would require a lot of capital expenditure. This leads us to our second issue. We are a private limited company. Becoming a public limited company would offer some real advantages. The directors have to make some major decisions over the next few months."

Pre-release Research Tasks

- Investigate the different resources that *Bagshaw Ltd* might require if it is to increase its sales and production as planned, and the advantages for the company of using these resources as efficiently as possible.
- Research **all** the possible sources of finance that are available to a newly created public limited company (plc) considering expansion.

END OF BACKGROUND MATERIAL AND PRE-RELEASE RESEARCH TASKS