



General Certificate of Education
Advanced Subsidiary Examination
January 2013

Applied Business

BS03/PM

Unit 3 Financial Planning and Monitoring

Background Material and Pre-release Research Tasks

To be distributed to candidates no sooner than 1 November 2012.

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.

Floating an idea

It is a challenge to convert a boat that is 20 metres long and less than two metres wide into a high class hotel. Seeing a canal boat for sale for £47 500 in a local boatyard, Wade Allsopp thought that this was a profitable business opportunity, despite having no entrepreneurial experience.

He developed plans to convert the canal boat that he had seen into a floating hotel with luxury accommodation for two guests, comprising:

- a double cabin with an en-suite bathroom
- a galley in which a chef would prepare all meals
- a dining cabin and a seating area where guests could relax
- a viewing area on the front deck, covered to provide protection from sun and rain.

The canal boat would have a crew of two throughout each cruise, one of whom would be a qualified chef. Wade's research showed that there were many routes on canals that passed through beautiful English countryside. He planned attractive routes that would take 5, 7 or 12 days' cruising to complete. He believes that the quality of his product will be the best on the market.

Wade was looking for a business opportunity as he had recently taken early retirement. After training as a chef, he had managed a prestigious hotel in Cambridge for many years and had good contacts with suppliers that he could use in the future. Wade needed something to occupy his mind as well as to supplement his small pension. He had enjoyed several holidays on canal boats, although these had simply been hired without crews and with more basic accommodation. His 'floating hotel' idea took this holiday concept further. His planning was helped by his use of the GOV.UK website (www.gov.uk/browse/business/setting-up) and advisers at his local Chamber of Commerce.

Wade's plan received a further boost when his research revealed the increasing popularity of holidays in the UK. The high cost of holidays overseas was a major factor encouraging holidaymakers to stay in the UK. Research also showed that taking holidays remained a priority for many UK consumers, with spending on recreational activities forecast to rise by up to 3.8% each year until 2030.

Although the market for this type of holiday has grown, two issues concern Wade as he finalises his plans for the floating hotel. Competition will be tough as the number of boats on the UK's canal network has risen by 39% between 2008 and 2011. Businesses such as Ladyline Hotel Boats Ltd (www.ladylinehotelboats.co.uk) already operate successfully in this market. The second concern for Wade is financing his project. He estimates that, in addition to the cost of buying the canal boat, he will need £77 500 to finance the conversion and the start-up costs such as marketing. In total, Wade requires £125 000; he has £70 000 in a savings account.

Pre-examination Research Tasks

- (a) Research the importance to Wade of preparing a detailed business plan before starting his floating hotel business.
- (b) Investigate the issues that an entrepreneur would consider before deciding whether or not to start a business.