

**ADVANCED SUBSIDIARY GCE**  
**APPLIED BUSINESS**  
Financial Providers and Products

**F246/SM**

**STIMULUS MATERIAL**  
**SERIES 6**

**It is intended that this stimulus material is used for the January 2011 and June 2011 examination sessions.**

**OCR Supplied Materials:**

None

**Other Materials Required:**

- A calculator may be used

**INSTRUCTIONS TO TEACHERS**

- The stimulus material provides a vocational context for the internally assessed unit – Unit F246 – Financial Providers and Products.
- Each year **one** scenario will be released on OCR's web-site which will provide an authentic vocational context for candidates' subsequent investigations.
- Although it is intended that this stimulus material is used for the January 2011 and June 2011 examination sessions, there is no shelf life for this OCR generated stimulus material.
- If you wish to generate your own stimulus material for this portfolio unit, please ensure it is fit for purpose and adheres closely to the guidelines laid down in the unit specification.
- There are no separate marking criteria with this stimulus material.
- Once the candidate has produced their financial package, they must then consider its effectiveness, given a change in the future circumstances of their customer. At this point you must provide additional guidance on what these future changes could be, referring to the unit specification as a source of further information.

**INFORMATION FOR CANDIDATES**

- This stimulus material has been created to provide you with a vocational context for the internally assessed unit – Unit F246 – Financial Providers and Products.
- If you have any questions regarding the stimulus material, you must consult both your teacher and the unit specification.
- Once your financial package has been generated you must then consider its effectiveness, given a change in future circumstances to your customer. At this point, you will be provided with additional guidance from your teacher to allow you to carry out this evaluative task.
- This document consists of **4** pages. Any blank pages are indicated.



**A calculator may  
be used for this  
stimulus material**



## The Picture Gallery

### Introduction

Two years ago, having reached the age of 55, Paula Howarth decided to take early retirement. She had spent the last 32 years working as a pharmacist at her local National Health Service hospital. She was able to draw a small portion of her pension, receiving her full entitlement on reaching the age of 60. Her initial intention was to relax and take some time out to enjoy her hobby of animal portrait painting. After a couple of months of retirement, she was feeling rather bored and decided to undertake an open learning art course. The first course focused on animal portraiture for which she gained a distinction. This spurred her on to take a second course – this time the focus was on human portraiture for which she gained another distinction.

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In order to complete the two courses, Paula had to persuade family and friends to allow her to paint portraits of their animals and, with some gentle persuasion, themselves. Her pictures have been greatly admired by all those who participated and their respective families and friends.

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Word of mouth advertising went round the villages in the area where Paula lives with her husband, Alan, like 'wild fire', and she has found herself inundated with numerous requests for portraits. She desperately needs more materials and equipment if she is to keep up with the current high level of demand. Paula is also looking to increase the mediums that she uses. In fact, she has so much work she now has insufficient space in the small bedroom in their home where she started off her hobby.

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### The Options

Paula and Alan have been busy discussing what Paula should do next. They considered two options:

- keep this as a hobby and turn work away or
- start a second career – running her own business.

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As Alan is not due to retire for another five years, Paula decided that she would start a second career and open up and run a local art gallery. Her initial idea is to work within the gallery, display some of her own work and that of other local artists. An additional income stream would be to run some art classes.

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## The Gallery

Amazingly a suitable building has come up for sale in the local village. It is ideally suited. The village receives a high level of tourists from late March to mid October. The area is also central to a variety of other popular villages and is within 15 miles of two towns. The village has good access by road with car parking within walking distance of the property. The other benefit of the building is its excellent natural lighting. The building will need some renovation work in order to turn it into an art studio. Estimates for the renovations have come to £7 500. Business rates are just over £300 per month. 30

The building is on sale for £120 000. Paula and Alan recently sold their holiday home in Wales and can, if they wish, buy the building outright. The purchase of the property will leave them £55 000 to invest in secure savings. Alan thinks that the renovations to the property should be paid for through a short term loan. 35

Currently, working very much on a part-time basis, Paula is managing to complete one portrait a week which sells for between £70–£120 depending on the size and complexity of the piece. Working on a full-time basis she is hoping to be able to create two/three portraits a week but this will, again, depend on the complexity of each portrait. 40

Displaying and selling other artists' work would be on a commission basis. Paula would receive 25% of the sale price. Artists would have to change over their work every four weeks so that the displays remain fresh. Other artists' work is expected to sell at prices ranging from £75 to £200. Paula has estimated that she would sell four such pieces of artwork a week at an average sales price of £150 which could earn her an extra £150 a week. 45

Paula envisages running two art classes a week. Four people would attend each class paying £20 per session.

### Forecast Average Total Weekly Income

Paula's art work	£200
Commission from other artists	£150
Art classes	£160
<b>Total weekly income</b>	<b>£510</b>

In order to sustain growth Paula feels that there are two options. She hopes to be able to increase the prices of her portraits once the business becomes established and her reputation increases, but this could take a considerable amount of time. It might also be possible, however, to increase the potential income from commission earned through the sale of other artists' work as the gallery gains in popularity. 50

### Advice Required

Paula is acutely aware that she has never run a business before and, therefore, would like some sound financial advice.

Paula needs to know whether external finance would be required and the best type of bank accounts and insurance policies which the business might require. 55

Alan is interested to hear your thoughts on the best type of investment in which to place the remaining £55 000 left over from the sale of their holiday home.

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